

EXHIBIT N-1
TO THE DECLARATION OF
JOHN W. SMITH T

Exhibit "A"

TEW CARDENAS LLP
Four Seasons Tower, 15th Floor, 1441 Brickell Avenue, Miami, Florida 33131-3407 - 305-536-1112

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

RENAE MOWAT, NIKKI MACK,
ARKLYNN RAHMING, and QUENNA
HUMPHREY individually
and on behalf of all other similarly situated
individuals,

Plaintiffs,

v. CASE NO. 10-62302-CIV-UNGARO

DJSP ENTERPRISES, INC., a Florida Corporation, DJSP
ENTERPRISES, INC., a British Virgin Islands Company,
LAW OFFICES OF DAVID J. STERN, P.A.,
DAVID J. STERN, individually, DAL GROUP, LLC,
a Delaware LLC, DJS PROCESSING, LLC,
a Delaware LLC, PROFESSIONAL TITLE AND ABSTRACT
COMPANY OF FLORIDA, a Delaware LLC, and
DEFAULT SERVICING, LLC, a Delaware LLC,

Defendants.

VOLUME I

DEPOSITION OF
DAVID J. STERN

TAKEN ON BEHALF OF THE PLAINTIFFS

APRIL 25, 2011
10:00 A.M. - 5:13 P.M.

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SAMANTHA HANSTEIN, Court Reporter

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DIRECT EXAMINATION
By Steve Jaffe, Esq.

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DEPOSITION OF DAVID J. STERN

APRIL 25, 2011

COURT REPORTER: Okay. We are now on the video record. Today's date is April 25th, 2011. The time is 10:06 a.m. This is the video deposition of David Stern taken in the matter of Mowat, Mack, Rahming & Humphrey v. DSJP Enterprises, Inc. The case number is 10-62302-CIV-UNGARO. We're located at Reif King Welch Legal Services, 888 East Las Olas Boulevard, Fort Lauderdale, Florida 33301. The digital reporter is Samantha Hanstein with the firm of Reif King Welch.

Would counsel please introduce themselves for the record.

MR. JAFFE: Steven Jaffe on behalf of the plaintiffs.

MS. DOUCETTE: Chandra Parker Doucette on behalf of the plaintiffs.

MS. RAPOPORT: Dawn Michelle Rapoport on behalf of the plaintiffs.

MR. SCRUGGS: Frank Scruggs of Berger Singerman for DSJP Enterprises, Inc. and other corporate defendants.

MR. TEW: Jeff Tew for David Stern from the Law Offices of David Stern, P.A.

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MR. STERN: I'm David Stern for David Stern.

MR. JAFFE: Good morning. My name is Steven Jaffe.

We met briefly this morning. Thank you for coming in this morning.

DAVID J. STERN,
having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. JAFFE:

Q Mr. Stern, thanks for coming in this morning. Like I just said, my name is Steven Jaffe. I'll be taking your deposition probably most of today. Has your deposition ever been taken before?

A Yes, sir.

Q All right. And now, you are a practicing attorney?

A I am.

Q And you've taken depositions before?

A I am.

Q So, you know all the deposition admonitions, and there's really no need for me to go over right now; is that correct?

A I officially waive.

Q Okay. And if you need a break, just tell me.

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I'll be happy to break anytime. I'd like to start off, just going over your background. We could, you know. Where are you from?

A Born in Chicago, Illinois.

Q And when did you come to South Florida?

A When I was 30 years old.

Q Where did you go to undergrad?

A Appalachian State University in North Carolina.

Q I couldn't decide if my daughter's finishing up there.

A Great school.

Q What year did you graduate?

A From?

Q Appalachian State University.

A 1982.

Q And then did you go into the workforce or did you go into the law school?

A I went straight into law school.

Q And where?

A South Texas College of Law in Houston, Texas. I graduated 1986.

Q And where did you go -- did you stay in Texas to begin your career as a lawyer?

A That's how Texas -- being that three-tier

school -- four-tier school. Not that I read any of these articles, but that one came across my desk. That was good. I'm sorry.

Q Where did you begin your practice of law?

A I actually began my practice of law with the Law Offices of Gerald Shapiro with the acronym of LOGS.

Q What year?

A I went to work for them right out of law school before becoming a member of the bar; ultimately became a member of the bar in 1991; didn't necessarily practice with them. I was a national operations manager, so I officially started practicing January 1st, 1994.

Q If I heard you correctly, you graduated from South Texas College of Law in 1986; is that correct?

A Yes, sir.

Q When did you first sit for any bar exam?

A 1990.

Q Which bar exam was that?

A I'm sorry. Scratch that. I sat for the Texas Bar right after graduation from law school while working for my then-previous employer.

Q Okay.

A And then I sat for the Florida Bar while working for my previous employer, which is LOGS.

Q What year did you sit for the Florida Bar? 1990?

A 1990.

Q Let's go back to Texas. So, you sat for the Texas Bar in 1986; is that correct?

A I believe that's --

Q Maybe 1987?

A I believe the next one after I graduated and was eligible.

Q Okay. And did you pass that bar?

A I did not.

Q Did you ever take the Texas Bar again?

A No.

Q I believe you say you moved to Florida thereafter.

A I don't recall saying that.

Q Fair enough. Where did you move after Texas? Graduated from law school, sitting for the bar? Where did you move next?

A I moved to Tampa, Florida.

Q Approximately in 1986, 1987?

A 1986.

Q And if I repeat myself which I'm about to, I apologize, but let's just go with it, with -- where was your first employment in 1986 in Tampa?

A The Law Offices of Gerald Shapiro or, say, the LOGS group.

Q And what type of practice did you have?

A Mortgage and lender representation.

Q In what capacity were you employed there initially?

A An intern/law clerk.

Q Why did you not sit for the Florida Bar until 1990?

A Because I worked my tail off 24/7 for LOGS.

And --

Q Just so the record is clear, LOGS, spell that.

A LOGS, L-O-G-S, the acronym for the Law Offices of Gerald Shapiro.

Q Okay.

A LOGS. When I first started working for LOGS, I worked for them in their Tampa office for three months. After working for them for three months, I've recruited to the national office in Chicago, Illinois. And I was made the quality control representative. When I started with them, I had 13 offices. As I made a name for myself, I ultimately was responsible for opening or restructuring some 33 offices. As a result, I was on the road pretty much every day. Literally, every day. I still have my platinum lifetime marquis for Marriott and my

Continental elite for lifetime, so it was worth it.

Q Explain to me your job responsibilities as what you just termed the quality control rep for LOGS.

A When there was a distressed office, initially, I would go in and make a determination of what the issues were, make recommendations, report back to the national office together with the guy who's from the national office and the managing attorneys, implemented a plan to turn the office around. The duties then grew from dealing with distressed offices to opening up brand new offices. So, during the eight years I was with LOGS, I either opened or dealt with some 33 offices in, like, 27, 28 different states.

Q So, obviously, during that time, too busy to sit down take the Florida Bar, other things were happening that were of interest to you?

A Correct, yes.

Q The three months that you were in Tampa before being promoted to the Chicago quality control rep, is it fair to say that you learned as much as you could regarding mortgage lender representation in the Tampa office?

A The day I started in Tampa, it was a distressed office unbeknownst to me, and my first day there, the senior management from Chicago came in and

read everyone the riot act. My first day, I didn't know much of anything. Certainly, I didn't know mortgage lender representation, but I kind of went for broke and asked them for the opportunity to dive right in it. And long story short, they laughed at me, but at the end of the day, they gave me the opportunity. And during those three months, I worked 24/7, had this neat little SkyPager, because cellphones were so big. Dare I say my age. 1-800 SkyPage and No. 20632. We can publish it. That's on there.

Q How old are you?

A I'm 50.

Q What's your date of birth?

A Did you tell him to ask that?

May 6th, 1960. But don't ask me where the time went. So, after three months in the Tampa office, I demonstrated, I would assume, qualities that were unique and valued in the eyes of upper management.

Q Were there lawyers in their office?

A Yes, sir.

Q How many? Approximately.

A I got -- that's like 1986. 20.

Q And non-legal staff, approximately, how many?

A 60, 70, I guess.

Q And you say you worked 24/7, can we be

literal? What hours did you keep?

A 24/7.

Q So, you worked 24 hours a day, seven days a week?

A I slept for three to four hours. Sometimes, I went to bed at 1:00; sometimes I went to bed at 9:00 and woke up at 1:00. Pretty much the same work ethic I've kept when I went to law school. I went to law school at night, can't afford Tier 4.

Q Tier 4?

A Tier 4. Thank you. And I worked two jobs during the day. I went to law school from 5:30 to 10:30, got home, study for a couple of hours and just kind of develop a sleep pattern of three hours.

Q What type of work did you do during law school? Does it have anything to do with the mortgage industry?

A No, no, sir. Originally, I clerked for the City of Houston, so between clerking and studying law and going to law school. The local high schools were looking for soccer coaches, and I had soccer background. So, I took a job as a soccer coach, which in order to coach, you had to teach and --

Q Of course.

A -- and I didn't have teaching credentials, so

they gave me emergency teaching permit based on some online courses. So, I taught senior government and I coached soccer and cross-country.

Q Where did you go to high school?

A Miami Edison Senior High School.

Q Did you play soccer?

A I did.

Q Back then?

A Back then, yeah.

Q Did you play soccer at Appalachian State?

A I did.

Q All four years.

A Two years.

Q Were you at Appalachian State all four years?

A Yes, sir.

Q At Appalachian State, what degree did you obtain?

A Bachelor of Science in Political Science and Criminal Justice minor in Sociology.

Q Double major?

A Yes, sir. I wanted to get most from my tuition.

Q Were you on scholarship?

A Financial aid.

Q So, not under a scholarship?

A No.

Q When you went to work at LOGS, I assume, just correct me if I'm wrong, you learned -- you began to learn the mortgage lender business.

A I was there for eight years, and that's where I learned it.

Q Both the non-legal elements of the business and I assume, just correct me, the legal elements of business?

A Yes, sir.

Q And what was LOGS -- or what was your understanding of what a distressed office was?

A In my mind, a distressed office was an office where there was dissatisfaction from clients or failure on behalf of the office to meet milestones for the full time frames that are essential to the industry. And, of course, if you want to find that you're missing milestones before the client does because that could be relationship ending.

Q What would you say the three most important things you learned at LOGS were?

A Well, I was single at that time, so there was this secretary. I would say understanding the process from an operations standpoint, understanding the process from the legal standpoint and probably most importantly,

establishing relationships with clients. All three, I believe, I have mastered and perhaps the basis for my success.

Q How long did it take you to learn or believe those were the three most critical things in the industry to be a success?

A I got to tell you, I probably didn't realize it until the first year into my own practice.

Q Okay. Well, then, so, you're saying that in retrospect, that's what you learned at LOGS?

A I loved my job at LOGS. I loved the responsibility. I loved the challenge. I loved something that was getting ready to be kicked under the rug and stopped it from being kicked under the rug. Took something that was a failure and made into a success or started something that was just soil and built it into a successful, profitable learning, if you will.

Q Would you agree with me that LOGS was a generally successfully business at the time you went into it?

A They were a up-and-coming firm -- they had 13 offices. When I left, they had 54 offices, of which 33 were my responsibility.

Q Could you list some of your clients?

A Sure. Bank of America, Chase, Wells Fargo, Countrywide, pretty much -- they were national firms and they represented pretty much everyone. Some of that are still around. Some of that have car wrecked -- Gold Dome. Once in a while, I see these names, and I said -- I remember that -- National Mortgage in Memphis, but pretty much everyone.

Q When you say that you learned the process from an operations standpoint, can you explain that?

A From an operations standpoint, I became familiar with the movement of a particular action through a process when that required efficiency, yet needed to be done economically. So, from a foreclosure standpoint, I had to move things from the title, area where it starts, to the complaint, which is essential, and a time-driven milestone, milestone being the key component of the foreclosure; how to most efficiently and effectively move through service process, to deal with process servers; how to get judgment centered; how to take property to sale and move things efficiently. My responsibilities were not also limited to judicial foreclosures, but we have power sales states, which are simply -- know this requirements, which are the majority of the states. So, I learned that. And then I learned the bankruptcy processes and the closing processes and

the eviction process. That's the operations standpoint.

Q When you went into LOGS, they already had system, operation systems, correct?

A They did.

Q And did they have policy and procedure manuals?

A Very few. I wrote some of them. I chuckle because it goes back to the old computers, to the big, old screens. And when I started my practice eight years later, I hired a computers' consultant and we were designing and had the mouse. I had never seen a mouse. So, I picked it up and I started playing with the ball. And I looked at it, he said, what are you doing? I go, what the hell is this? And he knew he was in trouble. So, I was not the most technological and hopeful that my testimony hasn't led you to believe that I was technologically advanced. Because right now, my 14-year-old daughter handles all the technology in the house.

Q But from a practical standpoint, you understood quickly how to maximize operations?

A Back then, I thought I did. Back then, I thought, you know, I had it going on. When I started my own practice, I thought I had it going on. I thought people that I had trained, we had it going on. And --

Q Were you involved in training staff members at LOGS from an operations, non-legal operations, standpoint?

A Yes, sir.

Q So, you developed some of the policy and procedure manuals from an operations standpoint at LOGS?

A Yes, sir.

Q And then you actually implemented those policy and procedures that you had refined or established?

A Refined in some offices, those offices that I created, certainly established, bringing over ideas from other offices that were successful ideas and certainly eliminating or actually those that were disastrous.

Q Did you study other competitors' model?

A I did.

Q Who were some of the other competitors that you studied?

A I don't recall. I -- I know as I created pleadings or recommended forms of pleadings, I would go to courthouses and I would gather up copies of, say, the judicial state, complaints from the five largest guys and, you know, kind of piece them together and worked with the senior attorney to make sure that we were in compliance with that particular jurisdictions, laws.

Q At LOGS, did you have the same job title the

entire eight years you were there?

A I don't remember. Job titles mean nothing to me.

Q So, if I would ask you what your job titles were at LOGS, you would not remember them?

A I wouldn't.

Q Did your job responsibilities increase over the eight years you were at LOGS?

A Yes, sir.

Q When you first went to Chicago -- and I believe you told me that was within three months of being employed with LOGS?

A Yes, sir.

Q Your job title was quality control rep or is that just an acronym?

A Quality control manager.

Q Okay. What were your job responsibilities at that point?

A When I went to Chicago?

Q Yeah.

A I was in Chicago, as I recall, about two days. And the California operation became distressed and there was a falling out between the partners. One office was in San Diego that handled foreclosures. The other office was in Westwood, California, right down the

street from UCLA and the partner that walked out walked out from the Westlake office. So, I was asked to go in make an evaluation, see what staff was staying, what staff was going, review the procedures, see why he walked out, make recommendations to the national office. And ultimately, that project entailed consolidating the San Diego office and the Westwood office to Costa Mesa.

Q So, it sounds like that you have a forte for evaluating people within the mortgage industry, employees, deciding who was maybe dead weight, who was a keeper and how to best create a better functioning environment?

MR. TEW: Objection.

MR. SCRUGGS: Objection to form.

MR. TEW: Same objection.

A Back at that time, I probably felt that I did, keeping what I've learned and who has come into -- at one time came into our world, I realized that I knew very little.

Q (By Mr. Jaffe) When you say "who's come into your world," what do you mean?

A Rick Powers, chief operational officer. The amount of knowledge that he instilled into me in the brief time that I was privileged enough to be with him is just amazing. And I looked back and I say,

yeah, I have a Political Science degree; I have a Criminal Justice degree, minor in sociology and a law degree. But certainly, no degree from an operational standpoint, managing by matrix and developing charts and -- amazing.

Q So, you had a gut. You went with your gut, and at that time frame, at least, it was successful?

A I think it was.

Q And you were rewarded appropriately from law, just stayed with them eight years, you elevated, they opened more offices?

A Since we're on the record, I would say, I don't believe that they rewarded me adequately.

Q I understand.

A Hence, my departure from them. I worked 24/7 to make someone wealthy and profitable. I decided that I might as well do it for myself. So, I --

Q Okay.

A Since my counsel didn't object, I object. Listen, I don't regret it and it was an invaluable eight years.

Q Sure.

A If I would have left after six years, who would have known? If I were to stay for nine or 10 years, someone else may have pioneered the industry.

Q So, you also learned the processes from a legal standpoint within the foreclosure business while at LOGS as well?

A I learned not as a practicing attorney.

Q Right.

A Or be an authorized practicing one. But I did learn that as well.

Q I didn't say you cannot -- I'm certainly not representing to you that you practiced at that time, but you certainly absorbed and understood the process, learn the process, and from an intellectual standpoint, you believe you were able to create your own systems that would be more efficient for the client?

A Correct, yes.

Q And talk to me a little bit about the third element, that is, that you believe that relationships were one of the three most important things that you learned there?

A Perhaps the most important. In my role as the quality control guy, any time that a file had gone awry, our office had gone awry, it was my watch. I was the captain of the ship. And clients would reach out to me and they would voice their frustrations or concern. And while I don't have the answers to everything, I have -- always had the will to find those answers. And I

believe that my ability to demonstrate that to the vast majority of the industry which LOGS represented allowed me to be of instant credibility the day I hung my shingle out on January 1st, 1994 where I could reach out to the clients with the results that were beyond my wildest dreams.

Q You just mentioned earlier that one of the important elements that you learned was using or creating milestones in the foreclosure process. And that is a very important element to the industry and certainly to the client; is that correct?

A Yes, sir.

Q Please --

A Not using or creating the milestones that were existent already, a measuring tool that the industry had established. How long does it take you to get the complaint filed, service completed, judgment entered, sale held and sold for you. So, using them or establishing them, they were used as a tool. So, I did adopt that methodology.

Q What milestones were in place at that time as you just laid out?

A Same.

Q What dates? What's the time frames?

A It varies, depending upon the state. You've

got judicial foreclosures, you've got power sale foreclosures. In Texas and Georgia, you can get a foreclosure done in 26 days -- Tuesday. States like Maine, New York, different processes, different procedures, superior court versus circuit court. Some states, you can file in Federal court.

Q Back in that time frame in Florida?

A I can answer that. That time frame back then was about 270 days --

Q From?

A File received.

Q Is that -- I've read that you've used the term "cradle to the grave."

A Well, don't believe everything you read, but, yes.

Q Is that a term you've used?

A We do use "cradle to grave."

Q All right. Is "cradle to grave" a reference to something like this, 270 days?

A Yes, sir.

Q All right. Then we'll get to that later. 270 days from time a file was received into the office --

A Yes, sir.

Q -- to judgment?

A Sale held.

Q Okay. And so, my question, with regard to the Florida milestones -- back then, who sets it? Do you set them? Does the client set them? Is the industry standard? Please explain it.

A Fannie Mae and Freddie Mac.

Q Thank you. Are they hard milestones? Hard dates or goals?

A They are hard dates.

Q And what happens if you don't meet them?

A If you have a excusable delay, like the borrower's debt is problematic to post to tombstone, so you have to -- that that would be an uncontrollable delay. Or if you've got a special in today's environment where everything is litigious and class action attorneys suing people, foreclosure attorneys wiping people out. Those are controllable delays, so we would --

Q Back then, it was --

A It wasn't as litigious. It was just a matter of how people did things. If there was a push and then someone like me came on the scene and said, you don't need 270 days you can do within.

Q And so, did you create policy and procedure manuals to reduce those milestones?

A When I was at LOGS?

Q I'm sorry, yes.

A If the milestone was reduced by the investor, then we would have to adjust the policies and procedures to be consistent in that.

Q So, the investor would attempt to control milestones?

A Yes, sir.

Q Were there times where you, on behalf of LOGS, would control the milestones?

A No.

Q Were there incentives for meeting or exceeding milestones at that time?

A I'm not sure I understand your question. Incentives paid by whom?

Q Were there bonuses to LOGS? Were there bonuses to LOGS if you met or exceeded milestones?

A Not to the best of my knowledge.

Q Were employees of LOGS given bonuses for meeting or exceeding milestones?

A Not to the best of my knowledge.

Q Were there quotas, monthly quotas at LOGS?

A Monthly quotas? I'm not sure I understand the question.

Q If you would be kind enough, could you explain to me the process while at LOGS, in a general sense,

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client sends in a file to be foreclosed upon and how it processes through the office.

MR. TEW: You're talking about in --

Q (By Mr. Jaffe) Fair enough. Florida.

A Florida? Back in the LOGS days, it was set up by stages. So, if I would come in through the -- given to the type of department, they would have certain period of time to move it to the next stage, which would have been complaint stage. Complaints that needed to go over a certain period of time I don't recall what those time frames were. That was one of the separate set of paralegals. The file would then move, once the complaint was filed to service, a different set of paralegals because its stage concept. Assembly line, if you will. Then it'd move to the next stage, judgment. Then it moved to the sale stage. And then it moved to the post sale stage.

Q Reviewing those stages, where would legal come in? Only at the judgment stage?

A Yes, sir.

Q Okay. Because you mentioned paralegal on two occasions. I didn't hear the mention of lawyers involved?

A Well, they all involve lawyers because lawyers have the obligation to supervise paralegals. The

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paralegals can't sign the complaint or review the complaint, of course.

Q Okay.

A The service process is reviewed by an attorney.

Q Let's go back it up. How about the title department?

A Back at LOGS?

Q Yes, sir.

A John Stupprich. John Stupprich, S-T-U-P-P-R-I-C-H, was the title mastermind esquire. Title in the State of Florida is not the functionality of attorneys --

Q Absolutely.

A -- practicing law, so it just depends how it's set up and what resources you have.

Q Okay. At LOGS, was there title department?

A John Stupprich was an attorney, but the examiners, I don't recall who's examiner.

Q And so, maybe I misunderstood. Where was John located?

A Tampa, Florida.

Q All right. The complaints, those were automated at this stage in the chronology --

A Yes.

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Q -- of computers?

A Yes.

Q All right. Paralegal would take certain data, input it into their computer, complaint would be split out for the review of a lawyer?

A Yes, sir.

Q Lawyer signs the complaint?

A Or makes corrections.

Q Makes corrections, complaints finalized, then lawyer signs complaint?

A Yes.

Q All right. And that's time to get service, so paralegal drafts the necessary service papers?

A Summons complaint unless picked and they'll draft it together.

Q Okay. Packaged?

A Trained, trailed -- Trained, trailed and packaged and then filed together.

Q Explain to me, if you will, if at LOGS, in Florida, how many departments there within a given office?

A Foreclosure, bankruptcy, eviction, deed and lieu, title, litigation, it just depends that the top of it the industry like today or a while back, loss mitigation research, back in the LOGS days, I don't recall the loss mitigation.

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Q Just for the record, kindly define what loss mitigation means.

A A review of a file to mitigate the loss with some sort of remedy. The remedy could either be whole retention, modification, repayment, forbearance or amount of retention, deed and lieu and short sale.

Q Have those departments with the exception of loss mitigation stayed consistent in the industry until today?

A In the State of Florida?

Q Yes, I'm sorry.

A Well, it depends. There are firms out there that do things other than just foreclosures.

Q In foreclosure only offices, do you -- to the best of your knowledge.

A Yes, sir.

Q And while at LOGS, you supervised and reviewed each of those departments from a processes and systems standpoint?

A I had assistance.

Q Of course, anyone. I'm certainly not recommending that you did that alone. But although 24/7, you might have been able to. And where you found deficiencies, you were in a position to attempt to remedy via creating new systems and policies and

procedures and then implementing?

A In conjunction with the managing attorney license in that state as well as the national office.

Q So, it's fair to say at the end of eight years, working 24/7 for somewhere else, making them lots of money throughout this country, you knew the mortgage foreclosure business at that point? In your mind.

A If it's based on where I am today or perhaps where I was six months ago, I would say that I certainly did.

Q You sat for the bar while -- excuse me -- you sat for the Florida Bar while employed at LOGS?

A Yes, sir.

Q Why?

A Because when they hired me, they promised me that 70 times, that I take Florida Bar, because I went to Miami Edison, grew up in Florida, loved Florida, had a condo on South Beach and I knew ultimately at the end of the day that I wanted to get licensed and I wanted it to be in Florida. So, after a combination of them sending me off on projects and me prioritizing projects, we finally decided that I would no longer blow it off.

Q And so, in 1990, you sat for the bar; in 1991, passed the bar?

A There are good memories in that post. They

have promised me I could take it. I signed up for it, signed up for BARBRI, dare I say. And various things came up. And they said, we need you. And I said, I'm going to quit unless you give me something in writing that next time, you'll pay for three months, and I would have to look in or see. Since I was already signed up for the bar, during this time period, they said, why didn't you sit for it? You've got nothing to lose. So, I sat for it. I took the two-day cram course. Out of the essay questions, I eliminated the ones I had test on the previous months, crammed the other four essays in, sat for the multi-state, sat for the essay. I remember I finished the multi-state up early. And as I was sitting there, I drew A, B, C, D. In an hour early, I'm spinning my pen. The examiner says, What are you doing?" I said I'm double-checking my answers. And I passed. That's it.

Q Luck or genius?

A They didn't know that part. I did --

MR. TEW: Put that in your online.

A Yeah, yeah, my best-selling. But we haven't closed the chapter yet. There's still a lot to be written.

MR. TEW: That's true.

MR. JAFFE: That's true.

Q (By Mr. Jaffe) So, you passed in 1991?

A Yes, sir.

Q Worked for LOGS for a few years?

A Through 1993.

Q At that point, now, you're a licensed attorney in Florida, did you actually go to court?

A Yes.

Q The day you opened your office on January 1st, 1994, had you been in a courtroom as a lawyer?

A I don't believe I had. I know that I had business cards.

Q Are you married?

A Yes, sir, 17 years in June 19.

Q Congratulations.

Any kids?

A Two. Logan, 10. Brianna, 14.

Q That's a beautiful thing.

A The best.

Q When you resigned from -- did you resign from LOGS?

A I did, yes, sir.

Q Okay. You weren't fired?

A No, sir, I wasn't fired.

Q When was that?

A I submitted in resignation July of 1993. My

last day was December 31st, 1993.

Q And January 1st, 1994, you opened your own office.

A Literally, on New Year's Day.

Q Where?

A 2627 Northeast 203rd Street, North Miami Beach, Florida, 800 square feet. Kind of like this, pink walls, blue carpet, 2386 computers, roller stamps, copier we had to move by hand and an old-fashioned checkbook with very little money in it. I love those days.

Q Single at that point?

A Single. Janine, who was my girlfriend, now my wife. I think we got married -- I know we got married. I know we got married six months after that -- six months after that, June 19.

Q At LOGS, would you agree with me that LOGS at that time in 1980s or in 1990s was representing certainly the top 10 lenders in the United States?

A In one state or another, but not in every single state.

Q And certainly --

A I knew them all, sir.

Q -- a vast majority of the top 20 lenders actually in the country as well?

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A Yes.

Q And since customer relations is one, if not the most important elements to a successful business, in general, I assume that they knew you were going to leave?

A I don't think they did. I don't think they really thought that I would leave. At that point in time, I was the third man --

Q My mistake and I'm sorry for interrupting you. But I don't like to waste your time.

A Okay. Thank you.

Q I was speaking about the clients, the lenders. Did you contact them? Did you have some quiet conversations with them, saying, fellas, it's time?

A Before I left?

Q Yes, sir.

A No, sir.

Q All right. So, we're clear. No contact with any what was to be a hopeful client down the road before you left, telling that you were going to leave?

A None at that or in the top 20.

Q Okay.

A A friend of a friend said, go visit somebody in Orlando. They may have some foreclosures for you. And it's my trip down to turnpike where I got my first

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business, it's hard to make, at the turnpike card machine back then.

Q All right. So, in January of 1994 in South Florida, David Stern -- David J. Stern, PA is born?

A I believe we incorporated in October of 1993.

Q Okay.

A But didn't pay no shingle, didn't have anything. But I had already given my notice and decided to move on. Because I wasn't sure what I was going to do.

Q All right. So, you gave notice in July, incorporated in October-ish, and in January, pulled the trigger, so to speak?

A Yes, sir. Yes, I like it, pull the trigger. Yes.

Q January 1st, 1994, you had no employees. True or false?

A False.

Q Who did you have as employee?

A Cheryl Sammons.

Q Anybody else?

A Janine, but she painted her nails and wore a baseball hat but wasn't paid.

Q Careful, this is on.

A I still have that picture of her.

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Q Good. Where did you first meet Cheryl Sammons?

A Charlotte, North Carolina, with the LOGS offices, probably 1989.

Q What was her job at that time in LOGS office in Charlotte, North Carolina?

A She's a legal assistant.

Q How was it that you met? Just by you being in that office?

A Advertisement.

Q Okay. Let's go back there for a second. Back to LOGS. Were you responsible in any way in hiring staff?

A Every time I got to -- this is -- this is pretty good. Hiring staff and --

Q At the office?

A Yes, I was.

Q Your office?

A Hiring, firing.

Q Okay. And so, obviously, there came a time when you were at the Charlotte area and you were interviewing staff members and you met Cheryl Sammons?

A Yes, sir.

Q Okay. And I assume she was a fine-tuned act?

A Yes, sir.

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Q All right. And at that time, was the Charlotte office open? You were staffing it or you just have to getting staff to then open the office?

A I'll save us all some time. There was a Shapiro and Davis law firm. Shapiro and Ron Davis had a falling out. Ron Davis wrote the clients saying, I want the files. And Gerry wrote the clients saying I want the files. And David Stern's job was to go in and find office space, find a managing attorney, hire staff and get the clients comfortable that Gerry's lack of physical presence would not be detrimental to the client -- to the client's files. That's where I put the ad in the paper, and amongst others, I met Cheryl.

Q How many offices did you establish like that?

A 20.

Q So, obviously, you were already comfortable in the basics of how to open a foreclosure law office?

A I wouldn't say I was comfortable. I would say I was challenged each and every time. And neurotic ego, hyper-energetic and fearful of defeat or failure, so I was anything but comfortable.

Q But you knew how to do it?

A I felt I did. Yes, sir.

Q And you did it repeatedly.

A I did, yes, sir.

Q And the offices that you opened and staffed became profitable for the LOGS?

A Yes, sir, they did.

Q It's a good thing, though, that started you on your own.

A It did. It did, no regrets.

Q So, on December 31st, 1993, you knew what you were in for. You knew how to open your own office?

A Yes, sir.

Q Obviously, there was a time in 1993, you spoke to Cheryl Sammons and told her what you were going to do?

A I did, yes, sir.

Q And can I assume that you encouraged her to come and be part of it?

A She looked at me like I was crazy. She said, you're the heir apparent of all these. Why would you ever leave? And she goes, stop joking. And I looked at her and said, I'm not joking. Come down to Florida, you, Robbie, her husband, guys, in a nice, quiet office. There won't be anymore 24/7. We would have clients yelling and screaming. We'll get your house, we'll get your little picket fence and live in a nice, new regular law office practice, which lasted about four days.

Q You didn't tell her you wanted to go big and

have these big dreams and all that?

A I didn't have that idea. I didn't have that thought. I never ever imagined.

Q When you hired her in 1989 in Charlotte in this to be new office, how many people were staffed in that office in 1989?

A Well, I started the office from scratch.

Q Right.

A And there were three attorneys, probably a staff of six.

Q Can I assume she left in 1993?

A She did leave in -- at the end of 1993, the same time I left.

Q Okay. At that time, how many attorneys were in the Charlotte office?

A It's a pretty big office, about 20.

Q Okay. And how many staff?

A 45, 50 power sales, I would say.

Q Between 1989 and 1993, how much contact did you have with Cheryl Sammons?

A I spoke to Cheryl -- Cheryl -- I spoke with Cheryl on a -- almost daily basis.

Q Why?

A Because she left the Charlotte office, probably six months after, her starting there, she was

great at implementing. She was good with people. She was great with clients. So, I asked her if she wanted to be on the national level and help me manage all the offices that I had and she accepted.

Q Let me make sure I understood you. With regard to Cheryl Sammons' employment at LOGS, that lasted six months at the Charlotte office that you had just opened?

A That is correct. Yes, sir.

Q She resigned?

A She went to the National Payroll and became a national employee.

Q So, you pulled her, so to speak, from the single office. You obviously saw something in her and said she could be of asset to me clarity with the powers to be, assuming, and you put her on to the national seat.

A She'd be an asset to the national organization, and first and foremost, to allow me to continue doing what I do.

Q All right. But during this entire time, 1989 to 1993, she stayed in Charlotte?

A She maintained her residence there, to the best of my knowledge. I think so her husband lived there, and she would be on the road either with me or

helping me do what needed to be done.

Q What did she do?

A She would go in and do some interviewing, some review of reports. She was key to me in reviewing reports in terms of achieving milestones, how were these offices moving. Can't rely on the offices to self-report, so we go in and do a spot check.

Q National Auditors?

A National Auditors.

Q Since you --

A But that was -- that wasn't her name. I can't repeat that. But --

Q Since you established the policies and procedures, by this time implemented them, you obviously -- I'll use the word "taught" her your systems, and she was sharp enough to understand that and then follow up LOGS' policies.

A Accountability and visibility mean two key components and accountability would be done through reports, as basic as they were back then, vis-a-vis what we're able to establish today, especially someone like Rick Powers. That was exactly what was assumed.

MR. SCRUGGS: Can we take a break?

MR. JAFFE: Sure.

(Thereupon, a short break was

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taken.)

(Deposition resumed.)

Q (By Mr. Jaffe) At time that you left LOGS and Ms. Sammons left LOGS, how many attorneys were employed with LOGS around the country?

A I don't know.

Q Ballpark?

A I have no idea.

Q More than a thousand?

A I don't know.

Q More than 500?

A I'm sorry. I don't know. I don't recall.

Q Okay. We do know at least 33 offices at that point, correct?

A There were, yes, sir.

Q Okay. Do you have a recollection of the average number of lawyers per office?

A Yes, sir.

Q How about the average number of staff per office?

A I don't recall.

Q Okay. So, is it fair to say that there were at least a thousand staff members nationwide for LOGS at that time?

A For LOGS, I would -- I would say at least,

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yes, sir.

Q Okay. At the time you left LOGS, what was your job responsibility?

A At the time I left LOGS, my job responsibility was to oversee the offices that I had either restructured or -- or in the process of restructuring. The intent lies for me to have offices up and running efficiently without my day-to-day interaction.

Q Okay. And what was Ms. Sammons' job responsibility at that time?

A To review reports, ensure that time frames were being met, that operational guidelines, policies and procedures were being followed.

Q Both of you, at that time, "that time" being 1991, 1992, understood and had business in the state of Florida on behalf of LOGS?

A Yes, sir.

Q The Tampa office had closed?

A Yes, sir. But that was not one of my offices.

Q Okay. Did Ms. Sammons -- prior to, Ms. Sammons coming to South Florida to work with you, did she have any training or experience in dealing with state of Florida foreclosure process?

A Not while -- not a while, working with me.

Q At LOGS?

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A At LOGS.

Q Okay. Do you know if she had any prior experience, in other words?

A I don't know.

Q All right. And I believe you testified earlier that you were in daily contact with Ms. Sammons at that time? "That time," again, being late or early 1990s up until the time you guys left LOGS.

A Pretty much in that.

Q Okay. All right. So, your referenced you drove up to Orlando to get your first client in 1994. Did I hear you accurately?

A I believe it was either towards the end of 1993 or the beginning of 1994 after I had given my notice to LOGS, but was uncertain what type of law I was going to practice.

Q Who is your first client?

A My first client was three of them: CitiMortgage, Chase and Bank of America, which was Nation's Bank or NCMB, actually.

Q And did you get retained during that trip up to Orlando?

A No, sir.

Q All right. So, you opened in January of 1994. I believe you said within four months, that things

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1 started moving, paraphrasing of course.

2 A Certainly, things started moving fairly
3 quickly.

4 Q At what point did you decide that you were
5 going to operate a foreclosure business, legal business?

6 A I guess I always knew at some point that I
7 would do foreclosures, but I wanted to do other types of
8 law --

9 Q Like what?

10 A -- as well. I like criminal law. I like the
11 contract law. When you become a solo practitioner, you
12 do whatever you need to do, as you know. So, I didn't
13 have my sight set on anything, and I really was
14 uncertain, at the end of the day, how successful or
15 how -- how successful, I guess, I would be in taking
16 work for LOGS because we always have long-standing
17 relationships. So, I really wasn't sure where I was
18 going to be.

19 Q Okay. What did you mean when you said within
20 four months, things changed?

21 A Almost from Day 1 when I reached out to those
22 three clients, they all agreed to give me work. So,
23 things changed certainly before four months. And I
24 apologize, I don't remember alluding to four months.
25 But if I go back through the history, to the best of my

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1 recollection, there was something happening positive and
2 not be on a weekly basis. And we continue to grow and
3 grow and grow.

4 Q So, you quickly learned that relationships you
5 had established over the last eight years at LOGS were
6 now paying off as it relates to your own personal law
7 office?

8 A The relationships were paying off, that is
9 correct.

10 Q They obviously recognized talent.

11 A Or they appreciated me on my knees with no
12 direct deposit knee pads on.

13 Q So, you begged for business?

14 A I did, yes, sir.

15 Q And they gave you the business?

16 A They gave me an opportunity to earn it.

17 Q Now, Ms. Sammons was your first employee; is
18 that fair?

19 A She was.

20 Q How quickly did you begin adding staff to the
21 Law Offices of David J. Stern, P.A.?

22 A Probably two weeks.

23 Q Okay. And what type of staff: Staff or
24 lawyers or both?

25 A Yes, both.

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1 Q Do you recollect who your first legal hire
2 was?

3 A Legal as in law -- lawyer?

4 Q Yes. I'm sorry.

5 A There was an attorney by the name of
6 Michael Chase that was across the hall and he was
7 looking for extra work, so I hired him as a counsel and
8 paid him on a case-by-case basis. As court appearance
9 were needed, telephonic hearings were needed. His
10 wife, Barbara Chase, also an attorney, was my first
11 lawyer hire.

12 Q Did you ever actively go to court as a lawyer
13 in Florida?

14 A Yes, sir.

15 Q Okay. And how quickly into your own personal
16 practice did you appear in court? Or was -- you opened
17 at January 1st, 1994. Do you have a recollection of how
18 quickly you were in --

19 A I believe 30 days on the motion to dismiss.

20 Q Okay.

21 A This is why it's totally different. They are
22 LOGS', because I wasn't an attorney. Now, I've become
23 an attorney -- or I became an attorney going in, arguing
24 cases, familiarity with case law, familiarity with the
25 rules of civil procedure. Everything was done

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1 differently from the LOGS.

2 Q Because now, you're a practicing attorney?

3 A Well, because I'm a practicing attorney and --
4 remember, everything I did at LOGS had to come with the
5 scrutiny of the national office. In that one day when
6 Gerry didn't want me to do what I needed to be done or
7 felt needed to be done, it was a series of on-going
8 denials. No, you can't do it this way; no, you can't do
9 it this way; no, you can't do it this way. And then one
10 day, he said, "No, you can't do it this way. If you
11 think you can do it better, then go out and do it." And
12 that's exactly right. I said goodbye and created things
13 that I wanted to do my way.

14 Q Right. Okay. So, how quickly did you
15 institute the David J. Stern systems into your now new
16 law office?

17 MR. SCRUGGS: Objection to form. Vagueness.
18 Undefined terms.

19 A What do you mean David J. Stern way of doing
20 things?

21 Q (By Mr. Jaffe) Well, during the eight years
22 you're with LOGS, you've established policies and
23 procedures on how you believe to best run a foreclosure
24 practice, and you've instituted those policies and
25 procedures. Did you take what you learned there and

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1 established at LOGS and instituted in your law office in
2 January of 1994?

3 A No, sir. Not for the most part because the
4 states that I established policies and procedures were
5 states different than Florida.

6 Q Okay.

7 A There were things that were the LOGS -- in way
8 of the LOGS' philosophy, LOGS' budget constraints and
9 lots of things that I wanted to do that I couldn't do.
10 And, of course, Florida was a -- a totally different
11 sort of state. So, I was able to come up with different
12 ideas, different technology, different reports, and I
13 didn't have the accountability to the national office.
14 My accountability became direct to the client. So,
15 processes -- the collar was taken off me, the rains were
16 gone and I was free to run as I felt, yes.

17 Q Explain this to me though. My only confusion
18 is when you first came into the LOGS Group, you were out
19 at the Tampa office which you turned into a distressed
20 office where you were with for three months. And I
21 thought your job responsibility when you went nationally
22 was to clean up, for lack of a better word, distressed
23 offices.

24 A When I started in Tampa, it was a distressed
25 office. My primary focus there was -- it was distressed

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1 because there were issues in post-sale and evictions.
2 So, I was able to go in, and in my mind, create systems.
3 It wasn't, here's what I want to do and it's blast. It
4 was like David, you need to sit down. Take a deep
5 breath. You need to understand that, A, you have no
6 experience; B, you're not a lawyer and C, there are
7 established guidelines that are uniform. That's why
8 clients used the LOGS Group because they have uniformity
9 and guidelines were appropriate within the given states.

10 Q So, when you opened up your Florida office in
11 January of 1994, did you put into place your idea of how
12 you wanted to run David J. Stern, P.A.?

13 A I did, yes, sir.

14 Q Okay. And Ms. Sammons and yourself worked on
15 a daily basis to establish those guidelines and
16 protocols?

17 A Yes, sir.

18 Q And when was the first time you created a
19 policy and procedure manual for your law office?

20 A I would say almost from Day 1.

21 Q And was it -- when you first opened your
22 office, what title company did you use?

23 A Attorney's title, abstract, attorney, the
24 fund.

25 Q By the end of 1994, how many attorneys did you

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1 have working on, ballpark?

2 A I don't recall.

3 Q Two?

4 A Counting myself?

5 Q Sure.

6 A Who will be part of the team? 85.

7 Q In late -- end of 1994, how much staff did you
8 have, non-legal staff, approximately?

9 A Thirty.

10 Q Had you moved locations already?

11 A Don't hold me to the time frame, but we
12 quickly moved from North Miami Beach to Hollywood.

13 Q Where in Hollywood?

14 A 4600 Sheridan Street, Hollywood, Florida.

15 Q From 800 square feet in North Miami to how
16 much in Hollywood?

17 A North Miami, went from 800 to 1,600 --

18 Q Okay.

19 A -- to 2,400 to 3,200. We then outgrew the
20 space. We were hated because we took all the parking.
21 So, we moved to Hollywood where we took 6,000 square
22 feet.

23 Q Was that in 1994? Right when you moved into
24 1995-ish --

25 A If I'm guessing, we moved into early 1995-ish.

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1 Q Okay. How long did you stay in Hollywood?

2 A I've -- I'm thinking about a year, and then we
3 moved to Plantation, Florida, 801 South University
4 Drive, Plantation, Florida 33324. We --

5 Q I'm sorry. When was that?

6 A That was 1990- -- I want to say 1995, 1996.

7 Q Oh, so, you only stayed in Hollywood a very
8 short time?

9 A We outgrew the space.

10 Q Okay. How much square feet did you take at
11 your first Plantation office, the 801 space?

12 A Either -- I think it's 32,000 square feet.
13 More than we needed, but space was like \$7 per square
14 foot or it's \$5 per square foot plus cam charge of \$7.
15 It was owned by a Trust and the Trust wanted us to take
16 the whole thing. It used to be a Stein Mart. So, at
17 the end of the day, they ended up probably paying me
18 rent.

19 Q Timing is everything. When you moved to
20 Plantation, approximately how many lawyers did you have
21 work for you?

22 A When I first moved there?

23 Q Yes.

24 A 10, 12. I -- I can't remember.

25 Q And approximate staff?

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1 A A hundred.
2 Q What was Ms. Sammons' job title at that point?
3 I know you don't like job titles but just --
4 A No, she had one. Everybody has to have one,
5 you know. She was the office manager.
6 Q More importantly, what were her job
7 responsibilities?
8 A When we moved to Plantation?
9 Q Yes, sir. Oh, actually, did they change from
10 at the time you moved in North Miami to Plantation?
11 A Well, when we were in North Miami, she did
12 everything. She did proofs of claims in bankruptcy, she
13 wrote checks, she helped me do closings. She did it
14 all. When we moved to Plantation, she was the office
15 manager in charge of hiring and firing in all areas.
16 She -- we developed a whole new set of tracking,
17 processes. Everything had changed from the LOGS' days.
18 So, she would assist me as a liaison with -- speaking
19 with clients, which, in the past, would never have
20 happened. And she did interviews --
21 Q At this stage in her career, it sounds like
22 she could effectively do every aspect of the business
23 except appearing to court?
24 MR. SCRUGGS: Objection to form.
25 MR. TEW: Yeah, same objection.

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1 A I disagree.
2 Q (By Mr. Jaffe) Okay. What couldn't she do
3 effectively at this point in 1996?
4 A She didn't have relationships with client, she
5 couldn't do client development. She could speak to them
6 to answer a status question but she couldn't go out and
7 draw up a business.
8 Q Fair enough. Let's carve out business
9 development.
10 A Okay.
11 Q In-house back office stuff, she could
12 effectively run each element of the business of
13 David J. Stern, P.A.?
14 A No, she couldn't do the accounting, she
15 couldn't do the evictions, she couldn't do the
16 bankruptcies, she couldn't do the contested cases, she
17 couldn't do the title, the searches or the exams, she
18 could, certainly, if I needed her to do a proof of
19 claim. But at that point in time, things became
20 electronic-based or -- so, that wasn't her -- her job
21 description. So, I have to disagree.
22 Q Did you have somebody that would review titles
23 at that point?
24 A I did, yes, sir.
25 Q Who -- or how many? Who? Excuse me.

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1 A What period of time.
2 Q Fair enough. Early 1996, if you remember.
3 A Sam Silverglate, attorney with me almost from
4 the beginning. In my opinion, he's one of the leading
5 authorities with title and helped established our title
6 operation and maintained the relationship with
7 attorney's title.
8 Q When did he become employed by David J. Stern,
9 P.A.?
10 A 1994, early.
11 Q Okay. And Sam later headed up what was then
12 to be known as Professional Title & Abstract?
13 A That is correct, yes, sir.
14 Q And so, is it fair to say that you had daily
15 contact with Sam -- 1994 to, certainly, 1996, you had
16 daily contact with Sam?
17 A No.
18 Q And why is that?
19 A Title -- title, there's no reason for me to be
20 involved or anything.
21 Q Was he on your physical plant, Sam, at that
22 time frame?
23 A In our facility?
24 Q Yeah.
25 A In our office? Yes, sir.

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1 Q Okay. Sam was employed by you and paid by you
2 at that time.
3 A I'm not sure if he was paid by the law
4 offices. I -- I -- I don't recall. He was -- he was
5 obviously paid, not by me individually or personally.
6 He was either paid by the Law Offices of David J. Stern
7 or Professional Title & Abstract.
8 Q When was Professional Title & Abstract
9 incorporated?
10 A 1994.
11 Q And who incorporated it?
12 A I don't know.
13 Q Who were its officers?
14 A Myself.
15 Q Who were its directors?
16 A Myself.
17 Q Was there anybody besides yourself on the
18 board?
19 A I don't believe so.
20 Q Okay. Can you give me an idea of the volume
21 that David J. Stern was opening on a monthly basis in
22 1996 once you've moved to Plantation?
23 A 1996 -- I -- I can't. I'm sorry.
24 Q In 1996, when you moved into Plantation, can
25 you tell me what departments you had? When I say "you,"

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1 I'm taking about David, the law office.

2 A Well, there was Professional Title & Abstract,
3 there was foreclosure department, there was a bankruptcy
4 department, there was an eviction department. There
5 would be essential departments that were necessary to
6 provide full capacity record, mortgage lend direct
7 presentation.

8 Q And at this point, you had instituted the
9 systems with no-collar on your ability to create
10 systems, like you had a lot, you would get instituted
11 those systems within to -- into your law office.

12 A With any practice, there is going to be
13 systems, processes and procedures. I did not like the
14 way of LOGS, their methodology, their technology. I
15 liked a very little from there. So, as I've said, if
16 you said my reigns were removed and I was free to do
17 things consistent with my dream.

18 Q And you did that?

19 A And I did that, yes, sir.

20 Q And Ms. Sammons instituted those systems as
21 adjunct to you?

22 A What time period?

23 Q 1996.

24 A She would not have instituted all of them. It
25 would have been -- with LOGS, they've -- LOGS had

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1 central accounting, central HR. We have our own
2 accounting. Cheryl couldn't do that. HR, Cheryl
3 couldn't do that. Insurance, workman's comp, Cheryl
4 couldn't do any of that. Totally different, totally --
5 totally different world. Cheryl didn't have the
6 expertise to implement requirements under the bankruptcy
7 code or in litigation department, just things that she
8 couldn't do. They were more in the foreclosure area and
9 perhaps working with HR, assisting in some hiring,
10 second interviews, whatever the case may be.

11 Q With regard to the foreclosure department, she
12 was able to institute your systems in a foreclosure
13 department?

14 A Correct. Correct.

15 Q And that had been her specialty with you
16 previously?

17 A Well, it -- it had, but that was with the
18 Shapiro vision, not with my vision. So, I had to say,
19 no, no, we're not going to do it that way.

20 Q Right.

21 A And she learned quickly before she went down
22 that road more than not. We actually went the opposite
23 direction.

24 Q Were you working 24/7 at this point?

25 A Yes, sir.

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1 Q You can't change. And --

2 A I've been working 24/7 since I was 10 years
3 old.

4 Q I assume Cheryl Sammons worked similar hours
5 as you did?

6 A No, sir. I don't require sleep or food. She
7 requires sleep and food.

8 Q Okay. With respect to when she do work, there
9 was a plenty of time for you to explain and express your
10 vision to her?

11 A Yes, sir.

12 Q Okay. And now that the collar is off, you did
13 that and you established the systems that you wanted to
14 place within your law office?

15 A Better procedures than LOGS had, more
16 effective, more efficient, all the way around.

17 Q And taught into her or she'd learned and --

18 A Taught into her, she learned, she threw in her
19 two cents.

20 Q And then carried them out through staff?

21 A The policies and procedures, sometimes without
22 her two cents and sometimes her two cents.

23 Q Okay. In 1998, did your business take a turn
24 for the better?

25 A My business took a turn for the better every

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1 year.

2 Q Fannie Mae named you to the attorney network
3 in 1998?

4 A I'm not sure which year.

5 Q Was that of any significance to your ability
6 to grow your business?

7 A For Fannie Mae?

8 Q Yes.

9 A Certainly nice to have on your resume but when
10 we were selected as Fannie Mae attorney, there was no
11 requirement that the services use Fannie Mae attorney
12 network. I believe at that point in time, we had
13 established very solid client base. And had we not been
14 selected under the -- the structure of the program back
15 then, we didn't feel that it would really hurt us
16 because relationships had been established. It could
17 certainly help us as new services or potential new
18 clients go into the Fannie Mae service or approve.
19 Attorney Weston said, "Hey, if you're good enough
20 for Fannie, we'd use you." So, if -- if your year
21 of 1998 is correct in that, and I don't recall if
22 it is, if we have just starting off that year, it would
23 have probably been a great thing. But had we already
24 been established, again, under your timeline, four years
25 earlier, I don't think it made no difference.

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Q The fact that you were named attorney of the year in 1998 and 1999 by Fannie Mae, did that have any positive impact on your business?

A I'm not certain if -- if it was those years, but it was certainly something I believe that the industry recognized. It's something that I, again, put on my resume. I unfortunately, while in attendance at the Mortgage Banker conferences, didn't have clients, you know, like poodle on my legs saying, oh, my God, you are the attorney of the year. Come and get my files. But from a personal achievement and the achievement of my folks and a part of success is sharing it with the people that have gotten where they are. And I felt, I think, more proud for them in their accomplishments necessarily than for me.

Q When is the last time you handled a foreclosure in a courthouse in person?

A You guys are supposed to object. What do you mean "handle"?

Q Went to the courthouse on behalf of a client.

A Six, seven months ago.

Q So, would you agree with me that you yourself have maintained an active courtroom presence in the South Florida market handling foreclosures on behalf of clients?

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A I wouldn't -- . Given the fact that we have thousands and thousands and thousands and tens of thousands of cases and the fact that I went seven months ago, I would not say that I personally maintain activity or really any hands -- just take hand -- hands-on activity from an operations standpoint in -- in several years.

Q Let's see if I can put some brackets on these. You went to court when you opened your own office in 1994?

A Yes, sir.

Q Did you maintain an active courtroom practice for any period of time when you had your own office?

A I'm going back, obviously, further than I care to say, 17 years. But in the beginning where it was just myself and my chains of counsel, I did go to court for a few months. My focus at that point in time became quite clear. Do I go to court or do I take care of the clients in the client relations? I can hire people all day long to go to court. I could not nor did I have any desire to try to hire any marketing folks. That has always been my forte. So, it was very quickly that I relinquished my court functionality. It's nice to go every once in a while. It's actually or it was quite flattering to go to court.

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Q When did you think you relinquished? Approximately what year? It was in the 1994?

A From 1994 till seven months ago, I went to the court with some frequency. Maybe -- I went to court at some point that maybe or it's just once every month, once every three months. In 1994, I was doing telephonic hearings and I was appearing in the tri-county. If I go back, you know, two or three times a week, certainly, in 1995, that was not what I -- I did.

Q How about 1996? All I'm trying to get through is the time frame in which you became, like you said, less involved in the court system operations of your business and more involved in client development and overall running of the operation.

A Certainly, 1996, 1997 --

Q Okay.

A -- simply because trying to keep up with case law, trying to find time -- David, you're visiting a city in St. Louis, you need to sign this pleadings. At the training, that is necessary -- necessary. As local rules change, judge requirements change. So, it got to a point where it was quite clear in my mind and the minds of the trusted attorneys from the senior level that I better not be the cook in the kitchen anymore.

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Q What was your best guess what year that was?

A More so sooner than later. I -- I would say 1996, 1997.

Q Okay. Who was your first managing attorney?

A Well, when it was just Cheryl and I, it was me. It was Mary Mendieta. Mary was hired in 1994.

Q Okay. So, Cheryl Sammons and Mary Mendieta where with you since 1994. I guess you just said that.

A On full circle, I haven't. Well, yes, sir, that's correct.

Q So, keeping good staff is an important part of your business?

A Keeping good, educated, hard working staff is key to any business. It doesn't matter if it's the 7-Eleven or Walmart or AutoNation.

Q 1998, your office was sued in a class action and that class action resolved; is that correct?

A In 1998, our offices -- my office was sued in the Bryant class action as where two other big competitor law firms, the Codilis Law Firm and the Shebria Law Firm.

Q And that case was resolved?

A That case was resolved, yes, sir.

Q Do you recollect, as you sit here today, what

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1 the allegation was in that case? And I say the
2 allegation.
3 A Allegations?
4 Q Fair enough.
5 A Overcharging for title, which in Codilis case,
6 the Judge said 325 is fine. Because that's what Fannie
7 and Freddie said could be charged. They alleged that we
8 needed to keep time records, which in the Codilis --
9 Beck v. Codilis the court said they will need to do.
10 The only issues that we had unresolved that never went
11 to hearing because they were settled or they did not
12 like the way that Professional Title & Abstract was
13 structured, they felt who was a shelf corporation
14 because it wasn't formalized. Period of settlement, we
15 agreed to formalize it. We also --
16 Q When you say "formalized," what does that
17 mean?
18 A They didn't like the way that it -- that
19 payroll was set up or the lack of payroll was set up.
20 They didn't like the way -- that it need the appearance
21 of a shelf corporation. What they did conceive was the
22 amount that Professional Title and the law firm charged
23 for Title was reasonable and customary.
24 Q You ultimately paid 2.2 million to settle that
25 case?

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1 A Insurance company, yes, sir.
2 Q Unfortunately, in 2002, there was a bar
3 grievance filed against you?
4 A Yes, sir.
5 Q In 2002, were you publicly reprimanded?
6 A Yes, sir.
7 Q And what was the basis of that, if you
8 recollect?
9 A It was Professional Title & Abstract, the fact
10 that the court felt we were misleading by providing
11 invoices from Professional Title & Abstract when
12 Professional Title & Abstract appeared to be a shelf
13 corporation. And again, the Florida bar, in terms of my
14 public reprimand, did recognize that the charges were
15 customary and reasonable. They just didn't like the
16 fact that we said Professional Title bill the law firm
17 325 when they were an area of Professional Title but no
18 true Professional Title & Abstract employees.
19 Q At what point did your law office begin using
20 a centralized computer system? It seems like a stupid
21 question, but please answer it.
22 A Well, Cheryl and I had two 386s hooked
23 together. So, I would say January 1st, 1994.
24 Q Okay. And did your law office and each of its
25 developing departments over the years continue to use a

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1 centralized computer system?
2 MR. SCRUGGS: Objection to form.
3 A I'm not sure what your definition of
4 "centralized" is, if one cord goes to the other cord.
5 Yeah, but that's a -- a techie question. And you would
6 need Norman Gottschalk to help me.
7 Q (By Mr. Jaffe) All right. Let's go there and
8 get that out of the way. Who would be the person with
9 the most knowledge to answer IT-type questions of mine?
10 A The chief information officer, Norman.
11 Q Full name, please.
12 A Norman Gottschalk.
13 Q Spell the last name for the court reporter.
14 A G-O-T-T-C-H --
15 MR. BERNSTEIN: -- S-C-H-A-L-K.
16 A -- A-L-K. I'm lost without my Blackberry, the
17 piece of technology I do know.
18 Q (By Mr. Jaffe) Okay.
19 MR. BERNSTEIN: Just for clarification, he is
20 the chief information officer at DJSP Enterprises.
21 It's not a law firm.
22 Q (By Mr. Jaffe) How long was he been employed
23 in your world?
24 MR. SCRUGGS: Objection to form.
25 MR. TEW: Same objection.

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1 A He went public in January of 2010. Created
2 the back office 13 months, 12 months, something like
3 that.
4 Q (By Mr. Jaffe) So, in the 2000 areas, 2001,
5 2002, 2005, in that time frame, who ran your computer
6 system?
7 A Vince Petrov.
8 Q Okay. And what years did he work for the law
9 office?
10 A Vince worked for the law office, I'm guessing,
11 somewhere in 1986 -- 1996. 1996. And then he became an
12 employee of DJSP on October -- on January 15th.
13 MS. DOUCETTE: January 15th?
14 A January 15th -- I'm sorry -- 2010.
15 MS. DOUCETTE: I'm sorry, I didn't hear him.
16 MR. JAFFE: It's okay.
17 Q (By Mr. Jaffe) And you don't like job titles,
18 so I'm going to just ask it this way, he ran your
19 computers up until January 15th, 2010, your computer
20 systems?
21 A Yes, yes. I don't -- I don't know what his
22 title.
23 Q That's why I didn't ask. To the best of your
24 knowledge, is he still employed with DJSP?
25 A He is not.

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1 Q Do you know where he is?
2 A I do not.
3 Q Are you able to tell me on an annual basis
4 what type of caseload your law office maintained in the
5 mid-2000s, for example, 2005, 2006?
6 A As I sit here today, no.
7 Q Okay. If I were to say to you that I've read
8 somewhere -- and again, that's why I'm asking, I've read
9 somewhere that you've handled approximately 15,000
10 foreclosures, you, your office in 2006 throughout the
11 State of Florida, does that sound accurate?
12 A I'm sorry, all the years all run together.
13 Q Okay. Did there come a time after 2006 where
14 your business took a dramatic increase?
15 A Yes.
16 Q And when would that have occurred?
17 A We've been in our existing space, 900 South
18 Pine Island Road, Plantation, Florida 33324 for three or
19 four years. So, that's when the business had dramatic
20 growth. So, doing some math, I would say 2007, 2008.
21 Q All right. Let me back up a little bit. I'm
22 sorry for not doing that earlier. You moved into, I
23 believe, 801 space in Plantation in 1996, correct?
24 A Well, let's see, we have a 10-year lease
25 there. Simply, we stayed there until 1996, 2006 but

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1 then we had somewhere near about that years -- or a
2 couple of years.
3 Q Okay. All right. Now, then you moved into
4 the 900 South Pine Island Road space?
5 A Yes, sir.
6 Q Okay. In approximately 2006, 2007?
7 A 2007, 2008.
8 Q Okay. Did you vacate the 801 space completely
9 at that point?
10 A Yes, sir.
11 Q Did you have any other space in Plantation at
12 that point other than the 900 space?
13 A For what?
14 Q Anything.
15 A Yes, sir.
16 Q What would that have been?
17 A I had default servicing in Louisville,
18 Kentucky.
19 Q Okay.
20 A This is when I moved in, 2008. A couple of
21 storage areas, that's all Arena Default Servicing.
22 Professional Title and the law offices -- Professional
23 Title was with the law offices at that time.
24 Q Okay. Default servicing, what was that? In
25 this time frame? 2007?

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1 A It was a company that I created that
2 specialized in real estate owned liquidation on behalf
3 of lenders.
4 Q You created it when?
5 A 1999 -- 1998, 1999.
6 Q Who were the officers and directors?
7 A Myself.
8 Q And were you the managing member?
9 A I believe, yeah.
10 Q In --
11 MR. SCRUGGS: Okay. Managing member, I think
12 default services of the corporation.
13 MR. JAFFE: Right. That's what I know.
14 MR. SCRUGGS: All right. So, it wouldn't be
15 managing --
16 MR. JAFFE: Correct. That's why I didn't
17 follow up on it.
18 Q (By Mr. Jaffe) Would you agree with me that
19 between 2006 and 2009, your staff triples from
20 approximately 400 to approximately 1200?
21 MR. SCRUGGS: Object to the form of the
22 question.
23 A What were the dates again?
24 Q (By Mr. Jaffe) 2006 to 2009.
25 A There's huge increase. I don't -- I don't

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1 know if it tripled. I have to check with HR on that.
2 Q Let's talk about HR for a second. Who was
3 your first director of HR? Cheryl Sammons, 1994?
4 A Or me.
5 Q Or you?
6 A Gosh. There were a couple of people. I -- I
7 cannot remember their names. And then Shameeza Ishahak.
8 Q Please try to spell that for the court
9 reporter.
10 A I should know how to spell all these names,
11 but Shameeza's been gone for a while. I don't want
12 to -- I don't want to butcher it. Okay.
13 S-H-A-M-E-E-Z-A then I-S-H-A-H-A-K.
14 MR. JAFFE: Ladies and gentlemen, it's 12:05.
15 I think we should break for lunch. At this point,
16 certainly, I have lots more to cover, but I think
17 we should probably grab some lunch. And I'd like
18 to be back 1:00. Is that doable?
19 MR. SCRUGGS: Yeah.
20 MR. JAFFE: All right.
21 (Thereupon, a short break was
22 taken.)
23 (Deposition resumed.)
24 Q (By Mr. Jaffe) All right. We're back on the
25 record for our afternoon session. I'm going to pick up

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1 with your move into the 900 South Pine Island Road
2 location. Okay?

3 A Yes, sir.

4 Q All right. And just for time frame purposes,
5 that's some time between 2007, 2008, correct?

6 A Yes, sir.

7 Q All right. At that time -- and that is the
8 space that up to about recently or maybe even now is
9 currently occupied with the Stern operations; is that
10 correct?

11 MR. SCRUGGS: Objection to form.

12 A When you say "Stern operations," what
13 operations?

14 Q (By Mr. Jaffe) You know what, let's leave that
15 alone. We'll get through to that in its natural course.
16 When you moved into the 900 space, the law office and
17 Professional Title and Abstract moved into that space,
18 correct?

19 A Yes, sir.

20 Q And how many floors did you occupy initially?

21 A Initially, one floor.

22 Q And did there come a time where you occupied
23 more than one floor in the 900 space?

24 A Yes, sir.

25 Q And how many floors ultimately did you occupy

1 at its height?

2 A When you say "floors," you're talking about
3 four floors or portion of it?

4 Q Fair enough. Let's just keep it globally and
5 then I'll narrow it down. Any portion of any floor.

6 A Five.

7 Q Okay. So, any reports that you occupied eight
8 floors or any portion of eight floors is grossly
9 exaggerated?

10 A We -- we did not occupy, in any way, shape or
11 form, eight full floors.

12 Q How about eight partial floors?

13 A I'm sorry. Everything to do with this is --
14 is -- is grossly magnified and outstretched. But having
15 said that, we occupied all of four, all of five, all of
16 six and all of seven and just a very small portion of
17 two.

18 Q All right. Floor two?

19 A Yes, sir.

20 Q All right. So, all of four, all of five, all
21 of six, all of seven, eight, to use your word, small
22 portion of Floor No. 2?

23 A Yeah. But, you know what, I think ultimately
24 we did make it to floor number eight.

25 MR. TEW: Now we're talking Pine Island in

1 2006?

2 A Pine Island, uh-huh, 900. No, he said at any
3 point in time.

4 MR. TEW: Well, then let's differentiate --

5 MR. JAFFE: At its height.

6 MR. TEW: All right.

7 MR. JAFFE: We're okay? All right.

8 A At its height, we would have occupied a small
9 portion of --

10 MR. TEW: And you're talking about the law
11 firm, not the --

12 A I was saying Stern --

13 MR. JAFFE: -- operations.

14 MR. TEW: Well, I object to that. There is no
15 such thing as Stern operations.

16 MR. JAFFE: All right.

17 MR. TEW: It was a law firm until 2010, then
18 there was DJSP Enterprises and subsidiaries and
19 there was a law firm.

20 MR. JAFFE: I'll rephrase.

21 Q (By Mr. Jaffe) Up until December 31st, 2009,
22 how many floors did the Stern Law Office and
23 Professional Title and Abstract occupy?

24 MR. BERNSTEIN: Can I just clarify that you're
25 asking in the 900 South Pine Island Road address

1 only?

2 MR. JAFFE: Sure.

3 A In December 31st, 2009, so that would have
4 been 10. To the best of my recollection, we occupied
5 four, five, part of six and all of seven.

6 Q (By Mr. Jaffe) And nothing on floor number two
7 at that point?

8 A I do not believe so.

9 Q Okay. As of December 31st, 2009, did you have
10 leases on any other space other than the 900 space, in
11 different building?

12 A The Law Offices of David J. Stern?

13 Q Yes.

14 A We may have had some month-to-month leases in
15 the building next door on a small scale.

16 Q What would that have been? What address would
17 that have been?

18 A 1000 Pine Island.

19 Q As of December 31st, 2009, Default Servicing
20 was still in Kentucky?

21 A Yes, sir, I believe.

22 Q Okay. How many employees did the law office
23 have in December 31st, 2009 to the best of your
24 recollection?

25 A I don't recall.

1 Q How many lawyers?
2 A I don't recall.
3 Q Who is your managing attorney or attorneys in
4 2009 -- December 2009?
5 A Miriam Mendieta and Beverly McComas.
6 Q When did Ms. McComas become employed by you,
7 approximately?
8 A 2000.
9 Q How often would you meet with Cheryl Sammons
10 in the Year 2009?
11 A For what purpose?
12 Q Any.
13 A Which can typify any of the agreements in a
14 while, once a month maybe.
15 Q At that point in 2009 -- during the period of
16 2009, did she have the authority to hire and fire?
17 A She did have the authority to hire and fire,
18 yes.
19 Q Both lawyers and non-lawyers?
20 A Not lawyers.
21 Q Who had the authority to hire and fire
22 lawyers?
23 A Miriam Mendieta and Beverly McComas.
24 Q Okay. Is it your testimony that you did not
25 meet with Cheryl Sammons on a daily basis in 2009?

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1 A Absolutely, 100 percent, my testimony.
2 Q Let me clarify my question a little bit. Is
3 it a fair statement to say that any day you were in the
4 office you would at least have a meeting with Cheryl
5 Sammons?
6 A Inaccurate statement.
7 Q All right. Did you, as part of Cheryl
8 Sammons' compensation, buy her a new BMW on an annual
9 basis?
10 A I did not.
11 Q Did you buy her -- did you lease her a BMW on
12 an annual basis?
13 A Short term. Short term. She didn't want it.
14 After she got it, she didn't want it.
15 Q Okay. Have you ever leased Cheryl Sammons a
16 car?
17 A Yes.
18 MR. TEW: "You" meaning who, the law firm?
19 Q (By Mr. Jaffe) "You" being you, personally?
20 A No, I did not.
21 Q "You" being the law office?
22 A Yes, sir.
23 Q How many times?
24 A Three times, four times.
25 Q Approximate years?

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1 A I don't recall.
2 Q Late 2000s?
3 A Sure.
4 Q Did you commonly pay her bills including her
5 mortgage?
6 MR. TEW: When you say "you" --
7 Q (By Mr. Jaffe) You, personally.
8 MR. TEW: Okay.
9 A No, sir.
10 Q (By Mr. Jaffe) The law office?
11 A Pay which -- what bills?
12 Q Any of her bills.
13 A No, sir.
14 Q Did you, on a regular basis, take her on
15 business trips with you?
16 A How do you define regular basis?
17 Q At least twice a year.
18 A Twice a year, yes, sir.
19 Q Would you describe your relationship with
20 Cheryl Sammons in 2009 as one wherein that you would
21 often be found yelling at each other within your office
22 or her office?
23 A No, sir.
24 Q In 2009, how would you describe her role
25 within your law office?

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1 A In 2009, she was the operations manager. She
2 have responsibility for the foreclosure side in
3 conjunction with HR and worked on a day-to-day basis
4 with Miriam and Bev to run the firm. It was her watch,
5 Miriam's and Bev's watch.
6 Q You were no longer the captain of the ship at
7 that point, in your mind?
8 A I would like to say I'm the admiral and then
9 turned the command over.
10 Q You earlier said that ultimately you are the
11 captain of ship with regard to the logs operation. Were
12 you always the captain of the ship with regard to your
13 law office?
14 A Based on what I just said, no.
15 Q And you gave up being the captain of the ship
16 in your mind when?
17 MR. TEW: Let me get a definition of "captain
18 of the ship."
19 MR. JAFFE: It's his term.
20 Q (By Mr. Jaffe) What is your definition of
21 "captain of the ship" when you used it referencing the
22 logs operations?
23 A Who -- who's on watch, who's got the
24 day-to-day control, who makes the business decisions.
25 Q Okay.

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A When we moved into the 900 South Pine Island, when volumes increased dramatically -- you said three times and I said dramatically, I don't know what amount -- at that point in time, if not, prior, but certainly at that point in time, the day-to-day operations were turned over to Miriam and Bev, under their structure of supervision, there are other attorneys. And the operations, non-legal side, were turned over to Cheryl and her host of assistant managers.

Q In any one time in 2009, Ms. Sammons would have up to 60 people reporting to her? Does that sound correct?

A How do you define "reporting to her"?

Q Supervisors, managers.

A I don't -- I -- I -- it wasn't my day-to-day involvement at that point in time, so I have no idea.

Q All right. And so I'm clear, it's your testimony that as far as your day-to-day involvement with the running of your law office, you had turned that over to Ms. McComas and Ms. Mendieta at the time you --

A Mendieta.

Q -- Mendieta at the time you moved into your 900 South Pine Island space?

A I believe it was some time prior. I don't know exactly when, but it was about that time.

Q Why did you do that?

A Because I was busy drumming up the business, in your words, that huge increase, again, not three times. And that's a full-time role, going out, wining, dining, clients, putting on the seminars, speaking, taking care of the clients, being there, being present, accountable. And that's what I do.

Q And from the operation side of the business, Ms. Sammons is running the office; is that correct?

A The non-legal -- non-legal matters.

Q From the legal operation standpoint of the business, your two managing attorneys whose names are --

A -- Miriam Mendieta and Beverly McComas --

Q -- were running the operation at that point?

A The legal side?

Q Yes.

A Yes, sir.

Q And you would agree with me that, ultimately, you're responsible for all three of those people's actions and behaviors?

A Ultimately, I am responsible to ensure that there's adequate supervision. If they go out and kill somebody, I'm not responsible for that.

Q Within the context of running your office -- your law office?

MR. TEW: Object to the form of the question. Calls for a legal conclusion.

A Yeah. You lost me on that one. I'm sorry.

Q (By Mr. Jaffe) Who was your -- who was the manager or person in charge of Professional Title and Abstract when you moved into the 900 South Pine Island Road?

A From the attorney standpoint, Sam Silverglate. From the non-attorney standpoint, Carol Whitlow.

Q And that stayed consistent up until 2009 -- late 2009?

A It did stay consistent.

Q Okay. Who supervised them?

A They were supervisors, they were managers, they were over their own department, they were over Professional Title and Abstract. To the degree that foreclosure overlapped or meshed with or had to work with, Cheryl Sammons work with Carol Whitlow to smooth -- to ensure smooth transition of the work, Sam Silverglate work with Miriam Mendieta and Beverly McComas. So, if there were problems, Sam would go to Miriam or Bev, or if things weren't getting done. It was a combination then of Sam, Carol, Cheryl Sammons,

Miriam and Bev.

Q With regard to your meetings with your two managing -- co-managing attorneys in 2009, how often did you meet with them in person or by telephone to discuss the operations of your law office?

A Once a month, with certainty and as needed with any manager. If a client called and said, "I'm going to pull the work if this doesn't happen," blah, blah, blah, they had to come to me with that.

Q And how often do that happen, approximately?

A Maybe once a month, twice a month, where they felt the need to bring it to me. It may have happened more, but where it got elevated to me, thankfully, we have very solid relationships with the clients. And if the clients had issues, they would reach out to me really at the end of the day because I'm the one that cultivated and maintained the relationships.

Q Did Ms. Sammons expressed to you difficulties in properly staffing the law office once you move to 900 Pine Island?

A Cheryl stressed to me that if I was going to continue to bring in additional volumes it would require additional staff. And with additional staff comes additional space, hence, the growth that we outlined and eight, nine, 10.

Q Did she express to you the inability to find staff with any experience?

A I don't recall.

Q Or said another way, was she complaining to you that the staff that she was hiring was inexperienced?

A I don't recall.

Q Did she express to you that it was just too much work for the staff to properly be able to manage?

A No -- ah, let me take that back. She did. In 2008, I want to say, she did come to me and said -- it was October, I believe, October 2008, maybe on October 2007 -- and said, "David, the paralegals have too much work." And I go, "Which paralegals?" She told me what teams, because we were broken in by teams. And that was the result of -- in -- in January, I think it's 2008, I brought on three new clients that were supposed to be relatively small in numbers.

Q Who?

A Who?

Q Yes. Who, the clients?

A The three clients, Saxon, Wachovia and Homac. Each month, so what she did was she assigned those clients to an existing team that handled other clients' files. In October, she came to me and said the

paralegals are flipping out, the clients are blank, blank and blank, the three I just told you, Wachovia, Homac and Saxon. And I pulled up my volume report and I'm like -- I'm not surprised. Where they started off giving us 100, ultimately, it turned into 500 or 600 a month. So, the paralegals were overwhelmed. I picked up the phone and I contacted all three of the clients and asked them to stop sending us referrals. At this point in time, we cannot handle and I did not want to disappoint or fail them. They were originally taken back, because I'm the guy that comes in with knee pads and begs for more. At the end of the day, they praised me and said, "When you're ready to take the work back, let me know." We assured them that we would finish of what we had and did so. And the volumes just continue to grow. With Fannie Mae and Freddie Mac, we wanted to make sure that we kept those teams solid. And those teams were the beneficiaries of those three new clients. So, when Cheryl brought to me attention that her group of paralegals were overwhelmed, I did the right thing and contacted the client and told them we can't do it anymore.

Q Did Cheryl ever express to you that the new staff was receiving little to no training?

A No, she did not. As a matter of fact, we had

groups of people that were in to do training. There were -- on -- on both the attorney side and on the non-attorney side, there were groups of trainers whose sole purpose was to do training.

Q And that training was established -- those protocols for training were established both at the lawyer and the non-lawyer levels by you?

A When you say "protocol," we wanted to make certain that we maintained our reputation as best in class and the best in the industry. And as bodies were brought on, we wanted to make certain that there was nothing lost in the -- in translation. So, I instructed Cheryl to designate three or four people of her choosing -- as I sit here today, I -- I -- I'm not sure who it is. I told Miriam Mendieta and Beverly McComas on the attorney side that based on the volumes, based on the number of attorneys, based on the case load, we needed attorneys to -- experienced attorneys to handle training of the new attorneys, just like I did with Cheryl. Both the attorney side and the non-attorney side, as I understand it, selected their trainers. And the attorneys, for a fact, before they were released to go to court, went through, I believe, a 60 or 90-day training period with Billi Pollack and Maria Solomon, two most senior attorneys being used to train.

Q And who trained them?

A Miriam and Bev. And they have been --

Q And who trained them?

A Trained -- who trained Miriam and Bev? Gosh, they kind of learned it on their own. I mean, in the beginning, there's foreclosures.

Q Well, Miriam started with you in 1994, so I assume that you would have been the one to train her since she -- since you were the one who was establishing the protocols since your collar was unleashed to do things the way David J. Stern wanted them done within his law office?

MR. BERNSTEIN: Argumentative.

A I -- I -- I agree. Miriam role versus -- Miriam role -- Miriam's role is to go to court. My collar was never on in terms of court because I wasn't a practicing attorney. Miriam was a practicing attorney. And while I did it in its infancy I was smart enough to realize two things, that my opportunity for success would be greater if I focused on client relations and the other thing that went off is I'm not an attorney. I'm not into case law. I'm not into sitting down and reading briefs. So, in the infancy, Miriam got a very solid handle on the way practice should be done. And as the industry evolved and case law became greater and

circumstances changed, Miriam got that really from the beginning.

Q (By Mr. Jaffe) Did you ever object to anything she ever did as a practicing lawyer under your watch?

A I don't recall.

Q You don't recall objection?

A I don't recall if there's nothing that she's done. I -- I don't recall anything.

Q Oh, okay. So, no?

A Well --

Q Nothing to your recollection?

A At what point in time?

Q Sure. Up until -- from 1994 up until 2008.

A The answer would be "no." Because if that was the case, she would have been gone.

Q Were your clients requiring foreclosures to be complete within six months for sending you the file?

A No, sir. At what point? Let me ask you that.

Q Between the period of 2006 and 2009.

A At some point in time, Fannie Mae and Freddie Mac lowered the foreclosure processing -- processing time for uncontested/controllable foreclosures from 180 days to 150 days. So, based on the custom and practice, it was necessary for the law office to complete the foreclosure within the insurer/investor time frame

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absent any uncontrollable matter, which would include litigation or delays that are beyond the law firm's control.

Q Between the time you moved into the 900 South Pine Island Road location in December of 2009, would you agree with me that the only entities -- the only David J. Stern entities was the law office and the Title and Abstract company?

MR. TEW: Objection to form.

A Would I agree with you that those were the only entities?

Q (By Mr. Jaffe) Yes. I'll rephrase. When you first moved into 900 Pine Island Road, the two entities that went with you, "you" being the Law Offices of David J. Stern, were this office and Professional Title and Abstract; is that correct?

A No, sir.

Q Okay. What other entities went with you at that point?

A Stern and McSurdy.

Q Okay. What is that?

A That's another law firm that I have for commercial foreclosures.

Q Spell the last name, please.

A M-C-S-U-R-D-Y.

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Q Their role was what?

A Commercial foreclosures and appellate work.

Q Okay.

A Default Servicing had a couple of employees located in Plantation as an extension to Louisville for check processing, accounting.

Q What address?

A 900.

Q Okay. All right.

A That's -- that's it.

Q Okay. As of December 31st, 2009, those four entities still occupy the space that you originally moved into except maybe expanded; is that fair?

A Yes, sir.

Q Okay. And I apologize, I have not been out there, okay, believe it or not, I've seen pictures. How many entrances and exits are there in the building? I don't mean emergency exits.

A Just one. One with four elevators -- no, wait a minute, no. I take that back. You got two emergency exits and you got a delivery.

Q Let me help. Excluding emergency, excluding delivery, just for common -- for the workers and clients.

A Yeah. One -- one entrance, four elevators,

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slow elevators, junky, people always get stuck, should be the next class action.

Q We'll talk later.

A I just wanted to get frank to laugh. That's all, I'm finished, we're -- we're done. Okay.

Q Was the -- was Professional Title and Abstract on a particular floor in 2009?

A Yes, sir.

Q What floor?

A I believe five. Don't hold me to it, but I -- I think that was it. Again, I was not day to day. And when I was in the office, I usually stay put, but I think they're on five.

Q What floor are you on?

A Four.

Q Was the entire law office on four?

A Well, prior to December 30th, there was the law office and it would have been on whatever floors we had. Professional Title, I can't tell you if they -- because of growth got spread to a second floor. Stern and McSurdy were on -- on one floor. And Default Servicing, he was on one floor, they -- I think there's a couple of people.

Q Is that as clear as you can be? What I mean is, what floor was Default Servicing even if there's

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only two officers?

A I -- I -- I don't remember. I -- that just wasn't what I did.

Q Sure. Who would know that, Cheryl Sammons?

A I would go -- I would have gone to Cheryl to ask her where are the Default Servicing people, but that was granular. So, as, you know, the owner of a 14,000 or 12,000-person law firm, I didn't deal with the two Default Servicing people that were on to deal with checks.

Q I know and I appreciate that. And I definitely understand how busy you are and how big the company you got. If -- I just want to know who I would ask, the right person, to get the right answer.

A Well, I guess you could ask them. You could ask the Default Servicing people.

Q Name them, please?

A David Obata.

Q Spell his last name.

A O-B-A-T-A. And I don't even know who the second person was. And you may want to know that David Obata is deceased.

Q It's tough to ask him.

A You guys are good at what you do, so --

Q I appreciate that. Who did they report to?

A They would have reported to Jenny Johnson, who is the Default Servicing manager in Louisville, Kentucky.

Q And who did she report to?

A She would report to me.

Q So, ultimately, you were responsible for the actions of Default Servicing?

MR. TEW: Object to the form of the question.

Calls for a legal conclusion.

A I would be responsible for putting procedures in place and expect that they be implemented. If Jenny didn't get her tickets to Kentucky Derby and killed someone, I would not be responsible.

Q (By Mr. Jaffe) Fair enough. Were you also responsible for putting policies and procedures in place for Professional Title and Abstract?

A That would have been Carol and Sam.

Q And who would they report to?

A Sam reported to Miriam. And Carol reported to Cheryl.

Q The law office appears to have had space on all of the floor number four as of 2009?

A Yes, sir.

Q All of floor number four and all of floor number six; is that correct?

A There was one floor that they had only half. So, I think all the four, all the five, half of six, maybe half of seven. I -- I can't recall.

Q And the other half of seven would have been Default Servicing?

A Default Servicing only have two people, so they were stuck God knows where but they wouldn't have had a floor.

Q All right. Now, you just said that the law office had all the five. How much of five was Professional Title and Abstract?

A I don't know. I just believe that professional Title and Abstract was located on the fifth floor. To what degree it was split between the two, I don't know.

Q Are you able to tell me how many employees were employed by Professional Title and Abstract in 2009, approximately?

A 60, 80.

Q Okay. Would you agree with me that the law office and Professional Title and Abstract shared the same file system in 2006 to 2009?

A I'm not sure what you mean, "file system."

Q The actual file itself.

A Okay. They did to some degree but not fully

because Professional Title and Abstract had been the first to become paperless. So, there would not have been a file to a large degree.

Q Would the law firm be able to access Professional Title and Abstract electronically?

A Access what?

Q Their file.

A Yes, sir.

Q As of December 31st, 2009, there was one e-mail system being used; is that correct?

A For which entities?

Q All.

A No, sir.

Q Okay. How many e-mail systems were being used, to the best of your knowledge, in December of 2009?

A I believe two.

Q Okay. One would have been the person's name@sternlaw.com?

A Dstern -- dstern.com.

Q Okay. What would the other have been?

A It was a separate e-mail for Default Servicing and I don't recall.

Q Okay. So, Professional Title and Abstract and the law office use the same e-mail system as of December

1 of 2009?
2 A Actually, I don't know.
3 Q To the best of your recollection.
4 A Yeah. To the best of my recollection, yes,
5 but I -- I don't know. When I -- I don't look at e-mail
6 addresses because I'm sure none of us really do. If
7 it's in our Blackberry, it's in our Blackberry. So --
8 Q Who did the HR department report to?
9 MR. TEW: You're talking about up to 2009?
10 MR. JAFFE: Fair enough. Fair enough. Fair
11 enough.
12 Q (By Mr. Jaffe) As of December -- from 2009
13 going backwards, who did the HR department director
14 report to?
15 A They would have reported to Cheryl and to
16 Miriam and Beverly.
17 Q Depending if it was a lawyer or a non-lawyer;
18 is that fair?
19 A It depends what the issue was. They perhaps
20 would go to everybody and say, "What do you think about
21 this?"
22 Q Okay. As of December 2009, there was one HR
23 department for the law office, and Professional Title
24 and Abstract, and Default Services; is that correct?
25 A Yes, sir, that is correct.

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1 Q And there were common policies and procedures
2 that the HR department used and applied to those three
3 entities as of December 2009?
4 A Where the law would provide it. There may
5 have been some differences because Default Servicing
6 was -- was in Kentucky and we would have to go by what
7 Kentucky required.
8 Q But executed out of that one HR department?
9 A Yes, sir.
10 Q One HR department for hiring and firing,
11 again, of those three entities; the law office,
12 Professional Title and Abstract, and Default Services?
13 A No, sir.
14 Q Same question. Same HR department for hiring
15 and firing for law offices and Professional Title and
16 Abstract?
17 A No, sir.
18 Q All right. Explain that, please.
19 A Going by your question, HR may not have always
20 done the firing. They may have processed the paperwork
21 to do the firing, but the -- the firing may have been
22 done by Miriam or Beverly or Jenny Johnson or Cheryl
23 Sammons.
24 Q Same HR department would have processed the
25 paperwork for those three entities?

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1 A They could have done the termination or they
2 could have processed the paperwork amongst other
3 responsibilities.
4 Q Who did your IT department report to? Let me
5 ask a predicate question. Did you have an IT department
6 as of 2009?
7 A Yes, sir. As we indicated, Vince Petrov head
8 up -- headed up that department.
9 Q How many people were employed in that
10 department working with him?
11 A I don't know.
12 Q Ballpark, more than two?
13 A Yes, sir.
14 Q Okay. Who would have the IT department have
15 reported to?
16 A Miriam, Beverly McComas and Cheryl Sammons.
17 Q HR department that we have previously
18 discussed would have been responsible for that
19 department as well?
20 A Yes, sir. Well, when you say "responsible,"
21 they would have made sure they're paid, they would have
22 given adjustments, they would have taken care of
23 insurance, workmans' comp, et cetera.
24 Q And if there were terminations, they would
25 have either handled the termination and/or handled the

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1 paperwork associated with termination?
2 A Yes, sir.
3 Q Did Stern, P.A. have a 401(k)?
4 A Yes, sir.
5 Q Was -- were all the departments we previously
6 talked about allowed to participate in the Stern, P.A.
7 401(k)?
8 A Departments, like foreclosure, bankruptcy and
9 IT, yes, sir.
10 Q Who would not -- what department would not
11 have been able to?
12 A I'm not sure I understand -- I -- I don't
13 believe that any department within the Law Offices of
14 David J. Stern would not have been allowed to
15 participate.
16 Q And would Professional Title and Abstract be
17 allowed to participate?
18 A I don't know if they had their separate plan
19 or not. I -- I don't -- don't know. Sorry.
20 Q Would Default Services been able to
21 participate?
22 A I don't know.
23 Q IT would have been able to participate,
24 correct?
25 A Right.

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Q You don't know about the 401(k) with regard to what you just testified to. Who would?

A Don't ask me about the 401(k). Back in 2009?

Q Correct.

A The HR director.

Q And at that point, who would that have been?

A Ali Rhonda, R -- R-H-O-N-D-A.

Q Okay. Let me ask you a couple of more questions about the HR department as it relates to -- excuse me -- the 401(k).

A I don't know what floor they were on.

Q Okay. Fair enough.

A Sorry.

Q I don't think the 401(k) had a floor. Where was the HR department located?

A I -- I don't know, no, seriously. The good thing is never got called to HR for --

Q You were never recommended by HR?

A Well, that's not true. I did see a sexual harassment videotape in the fourth floor conference room.

Q You actually were sued for sexual harassment, right?

A Years ago. We won.

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Q Good. Congratulations. As of September 2009 -- okay? Time frame-wise, are okay with that?

A Go ahead.

Q -- DJSP, P.A. existed, correct?

A The Law Offices of David J. Stern, P.A. existed.

Q Okay. Did DJS Processing, LLC exist?

A No, it did not.

Q When did that -- when did DJSP Processing, LLC -- DJS Processing, LLC, when was that born?

A I believe January 15th, 2010.

Q All right. So, if I found some documents that appeared to register DJS Processing, LLC on September 15th, 2009 in Delaware, would that refresh your recollection?

A I -- you know what, when it comes to that, Tom Vaughn of Dykema handled pretty much everything, so I would defer to Tom. Logic would have it that you don't close a transaction on January 15th and all the paperwork be done on January 15th. As far as the dates that the work was done, I have no idea, recollection, knowledge.

Q All right. I agree that the documents speak for themselves. I'm just trying to understand your understanding. And you've clearly expressed --

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A Yeah, yeah, yeah. That's -- that's Tom Vaughn.

Q Just so the record is clear, Tom Vaughn of --

A -- Dykema out of Detroit, Michigan --

Q -- suggest that -- Dykema Law Office or Dykema Gossett, what's the name of the law firm?

A Dykema Gossett. I can give you its hourly rate.

Q Okay. I'm sure you're -- are you aware that you are the managing member of DJS Processing, LLC as of September 2009?

A I would have to defer to Tom.

Q Are you aware that you are the registered agent of DJS Processing, LLC as of September 2009?

A I am not.

Q Are you aware that DJS Processing, LLC's principal place of business as of 2009 in September was 900 South Pine Island Road, Plantation, Florida?

A I was not aware.

Q Why -- do you know why DJS Processing, LLC was formed?

A DJSP Processing --

Q Let me rephrase. DJS Processing, LLC, do you know why it was formed?

A It was formed because I was interested in

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doing the transaction. And under our Florida Code of Ethics, a transaction which involve the law firm, vis-a-vis Default Servicing or Professional Title, a law firm cannot be sold to non-attorneys. So, the way similar transactions were able to occur was the creation of a back office dealing with the non-legal aspect of the particular business. So, DJS Processing was created in order to allow for a transaction to occur consisting with the Florida Ethics guidelines, rules and regulations.

Q Please define what the transaction that you wanted to accomplish was.

A I wanted an opportunity to expand beyond the borders of Florida and get into additional businesses, both typical and, perhaps, unrelated. And probably three years before the transaction, I was approached by some financial advisors from a whole host of companies. They came in by the rushes. Before I -- originally, I said, "No, I don't want to do it," like what I've got going. Then, reached out to a gentleman by the name of David Trott, the law firm of Trott & Trott out of Detroit, Michigan, who I'm fairly good friends with. And I said, "All right. David, you've done a transaction. Why? What's the ups, what's the downs, where are the land mines and, you know, who should I

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1 use? Because I'm getting phone calls from everybody,"
2 at least for exploration purposes. So, he told me the
3 pluses, he told me the minuses, he told me why he did
4 it. And he said, "David, you should go with my deal
5 makers, my financial advisors because they've already
6 done the deal, they've already done the documents, they
7 know where the lands mines are," et cetera. So, I
8 contacted Plante Moran out of Detroit. I contacted them
9 although they had called me a few times. And I said,
10 "Look, I'm interested in meeting with you. Tell me how
11 it works. Tell me what it's about. Give me some idea
12 dollar-wise. How do we structure the deal? How we
13 don't structure the deal?" And it became, as you can
14 imagine, very labor-intensive in terms of picking the
15 right partner. Do you go public? Do you go private?
16 Do you go equity? Do you go hedge? What is the lesser
17 of the two evils? What are the greater of everything?
18 At the end of the day, no matter what sector we went,
19 there would be a requirement as was the case with the
20 previous six or seven law firms that have done what I
21 did, that a back office specializing in or creating a
22 non-legal entity. And that would be the entity that
23 would be subject to the transaction. In my case, we
24 created DJS Processing and, of course, Professional
25 Title and Abstract to Default Servicing were stand-alone

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1 companies where we didn't have to do any split-off from
2 the law firm.
3 Q So, the record is clear, DJS Processing, LLC
4 stands for David J. Stern Processing, LLC?
5 A Sure. Yes.
6 Q Professional Title and Abstract Company of
7 Florida, LLC was formed in September of 2009 in
8 Delaware. Are you aware of that?
9 A I am not.
10 Q Are you aware that it was registered in
11 Florida on September 2009?
12 A I am not. Just like Processing and the same
13 thing for Default Servicing.
14 Q Are you aware that you were the sole director
15 of Professional Title and Abstract Company of Florida,
16 LLC in September of 2009?
17 A I am not.
18 Q Are you aware that you were the managing
19 member of Professional Title and Abstract Company of
20 Florida, LLC in September of 2009?
21 A I am not.
22 Q What is the Stern Holding Company?
23 A I have to get the specifics from Tom Vaughn.
24 Q Have you ever heard of the Stern Holding
25 Company?

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1 A Yes, I have.
2 Q What is your understanding of it?
3 A It's a company that was established to put
4 the -- what used to be the previous Default Servicing
5 and Professional Title, Inc. into that holding company
6 for purpose of -- of wind down is what I understand.
7 Q Default Servicing, LLC was formed in 2009 in
8 Delaware -- or reformed in 2009 in Delaware. Are you
9 aware of that?
10 A No, I'm not.
11 Q And registered in September 2009 in Florida.
12 Are you aware of that?
13 A I'm not.
14 Q With DAL, D-A-L, as a managing member, are you
15 aware of that?
16 A No, I'm not.
17 Q As long as we're here. Let's ask -- what is
18 DAL, D-A-L?
19 A I don't recall.
20 Q Just so I'm clear, DAL, D-A-L, Group, are you
21 familiar with what that is?
22 A In the structure of the transaction, it is a
23 holding company that holds the newly formed operating
24 subsidiaries; Professional Title and Abstract, DJS
25 Processing, Default Servicing. Professional and

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1 Default, yeah.
2 Q I'll ask it. If you don't know or you know
3 the answer, I'll ask it anyway. Why was DAL the
4 managing member of Default Servicing in September of
5 2009?
6 A I don't know.
7 Q Who would know?
8 A Thomas Vaughn.
9 Q Up to 2009 -- December 2009, just so I
10 understand this, your two managing attorneys could hire
11 and fire attorneys without consulting you?
12 A Yes, sir.
13 Q Did they have salary parameters on hiring?
14 A They did not have salary parameters unless it
15 was going to cost some astronomical amount. Because in
16 my day-to-day functionality, I have no idea how much
17 associates made really at any level.
18 Q The same question with regard to non-lawyer,
19 Ms. Sammons have the ability to hire staff --
20 A Yes, sir, she did.
21 Q -- without consulting you?
22 A That is correct, part of her day-to-day
23 operation.
24 Q Did you place upon Ms. Sammons or the
25 co-managing attorneys any limitation on staffing?

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1 A No.
2 Q Certainly, the inherent limitation would have
3 been space available; is that fair?
4 A I didn't put that limitation. That was an
5 obvious one.
6 Q Okay. Did they ever come to you and ask
7 permission to hire a particular lawyer or a particular
8 staff member?
9 A Not that I recall.
10 Q Did you have a management team?
11 A How do you define "management team"?
12 Q Key employees that have been with you more
13 than a decade.
14 A That would be Miriam and Cheryl and Beverly.
15 And depending upon what they were looking to do, it may
16 include Sam. It could -- it could have included Maria
17 Solomon. It could have included Billi Pollack. It
18 would depend upon what they were looking to do. If it
19 was something general, then they would bring all the
20 managers in.
21 Q And how often do that happen?
22 A I don't know. You have to ask them.
23 Q And who established your budget prior to
24 December 2009?
25 A We never had a budget.

1 Q So, as we sit here today, you're telling me
2 you never had budget meetings with any of your key
3 staff?
4 A That's correct. Whatever it took to get the
5 job done, they have carte blanche. That presumes that
6 question is December 31st, 2009.
7 Q Absolutely. Mr. Stern, I apologize in advance
8 for the next question. I believe I asked it but I want
9 to make sure that I covered it. The system in place in
10 your law office to take a foreclosed -- foreclosure case
11 from cradle to grave was created by you?
12 A I specifically said in my answer that cradle
13 to grave concept was not a word that was used to take
14 the foreclosure from the beginning to the end. So, the
15 answer to your question is "no."
16 Q Define "cradle to grave" in the context you
17 said it -- meant it when you said it.
18 A When I speak of cradle to grave, that would be
19 that we provide services that may become necessary on a
20 default of loan on behalf of the client, so it generally
21 come in as a foreclosure. If the foreclosure is
22 interrupted by a bankruptcy, we will handle that
23 bankruptcy. Once the bankruptcy has been concluded and
24 we're free -- sorry -- from the automatic stay, we would
25 then continue on with the foreclosure. Once the

1 foreclosure is complete and title invest in the
2 servicer, we would then handle any evictions where
3 necessary. Once the eviction is complete and it becomes
4 a real estate-owned property, we would then open the
5 title work and handle the closing on behalf of the
6 grantor, the bank as the seller, to the grantee.
7 Q And those systems that were used by the Law
8 Offices of David J. Stern, P.A., you developed?
9 A I -- the day one, I developed them; day two,
10 they continued to be expanded and improved upon by
11 people that were smarter than I was in those particular
12 areas.
13 Q Okay. But would you agree with me certainly
14 until 2006, you were the captain of the ship with regard
15 to your office and how it ran and the systems that were
16 to be used?
17 A I would agree that I was the captain of the
18 ship. I would strongly disagree that processes were put
19 in -- that were put in were put in by me. The
20 development, better practices, things like that, Miriam,
21 Sam, Beverly, when she joined, and Cheryl, did a lot of
22 that. So, there was -- in 2000 -- even in 2000, there
23 were procedures and policies put in place that they were
24 comfortable in doing and realized that I would have no
25 objection. If I had to deal with every granular change

1 that results from Fannie or Freddie guidelines or a
2 local rule or a judge making some sort of requirement,
3 that by definition would be an impossibility. Hence,
4 development expanding processes and procedures very
5 quickly fell on Miriam, Beverly and -- and -- and
6 Cheryl. I was there for the day-to-day probably up
7 until 2006. He had my nose and things, but it didn't
8 take long to realize that. Sometimes you can't be the
9 rainmaker and be involved in procedure because very
10 quickly, I did not know or have knowledge as to the
11 capabilities of the staff that was in place.
12 Q Did you ever object to any of the policies or
13 procedures that were put in place by others beside
14 yourself.
15 A I don't -- I don't recall. Apparently, not
16 very long or hard or I'll stay with them in there.
17 Q Effective January 15th, 2010, you went public;
18 is that correct?
19 MR. SCRUGGS: Objection. Form.
20 MR. TEW: Yes. Same objection.
21 A We created a processing company, new
22 Professional Title, new Default Servicing that was part
23 of DJSP Enterprises. DJSP Enterprises went public.
24 Q (By Mr. Jaffe) In January -- actually, let's
25 backup, okay? Tell me what Chardan 2008 China

Acquisition Corporation is or was?

A It's traced in the NASDAQ as CACA. I'm sorry. It's true. It's true. For the record, it's true. I'm sorry. I -- I love that part. Anyway, Chardan Capital was a -- a -- a company that, I guess, went public. Through Chardan, it was their sixth or seventh spec where they raised money looking for opportunities. My understanding, the previous facts all went to China-based opportunities. When my transaction was made known to the Chardan folks, they fell in love with the opportunity. And we ended up getting together and negotiating a deal. Chardan then changed its name to DJSP Enterprises.

Q Personal place of business as of January 15th, 2010?

A No. I -- I believe Enterprises is a -- is a Bridge, Virgin Islands company. DAL would be, I think, Florida-based. And then you've got Default Servicing and all the other companies. I think they're Delaware corporations but we obviously do business in Louisville, Kentucky and Plantation, Florida.

Q You also have an operation in Puerto Rico or did?

MR. SCRUGGS: Excuse me. Objection. You said you --

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Q (By Mr. Jaffe) Was there any -- to the best of your knowledge, was there any operation of any kind in dealing with DJSP Enterprises in Puerto Rico?

A Can you read that back, please?

(Thereupon, the record was played back.)

A I didn't know you were playing that back. I thought he was like -- that's pretty good, you know. It didn't seem --

Q (By Mr. Jaffe) Well, that's the technology of today.

A And I lost you over there.

Q As of January 15th, 2010, you were the sole owner of David J. Stern, P.A. -- Law Offices of David J. Stern, P.A.?

A Yes, sir.

Q And its registered agent?

A I believe that is the case. Yes, sir.

Q As of January 15th, 2010, you were DJS Processing managing member?

A I -- between all of that, DJSP, the Enterprises, the Processing, the -- I -- I -- I have to ask Tom before we get to the total chart and what to what. I can't keep up with my role as officer or director or just -- way too much.

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Q Indulge me then while I go through them and you gave that same answer then.

A Okay.

Q As of January 15th, 2010, you were the president, registered agent and managing member of DJS Processing Enterprises, Florida?

MR. SCRUGGS: Objection. Form.

A I'm sorry. With everything that there is out there between DJSP, Default Servicing, Professional Title, Enterprises, it's more than I know. I'd have to defer to Tom Vaughn and look to some sort of chart for guidance because I can't keep up --

Q (By Mr. Jaffe) Do you know if the chart exists?

A No.

Q As of January 15th, 2010, you are aware that DJS Processing Enterprises BBI was created?

MR. SCRUGGS: Objection. Form.

MR. TEW: Same objection.

A I'm not sure. I'd have to defer to Tom Vaughn because --

Q (By Mr. Jaffe) Okay. But you know it existed at that point; is that fair?

A Yes.

Q And are you aware that you were the president

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and CEO of DJS Processing Enterprises BBI from January 15th, 2010 until approximately November of 2010?

MR. SCRUGGS: Form.

MR. TEW: Same objection.

A I'm not sure about the dates.

Q (By Mr. Jaffe) As of January 15th, 2010, are you aware you were the managing member of Professional Title and Abstract?

A I'm sorry. I'd have to defer to Tom Vaughn.

Q As of January 15th, 2010, are you aware you were the chairman of the board and president of the DAL group?

MR. TEW: Form.

A I'm not sure of the dates but I think so, yes, sir.

Q (By Mr. Jaffe) Are you aware whether or not you were the registered agent for the following companies, DJSP Enterprises, Florida?

A I do not know. I'd have to defer to Tom Vaughn.

Q DJSP Enterprises BBI?

A I do not know. I'd have to defer to Tom Vaughn.

Q DJSP -- DJS, P.A.?

A The Law Offices of David J. Stern?

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1 Q Yes.
2 A As of what time period?
3 Q January 15th, 2010.
4 A I was.
5 Q The DAL Group, LLC?
6 A I'd have to defer to Tom Vaughn. I'm sorry.
7 Q DJS Processing?
8 A I'd have to defer to Tom Vaughn.
9 Q Professional Title and Abstract?
10 A Registered agent. And I'm -- I'm sorry. I'd
11 have to defer to Tom Vaughn.
12 Q Default Servicing?
13 A I'd have to defer to Tom Vaughn. I was a busy
14 guy.
15 Q Who has possession of the corporate books and
16 records for the entities I've just asked you about?
17 A The Law Offices of David J. Stern, they've
18 been in our office in Plantation 900. Everything else,
19 I'd have to ask Tom Vaughn.
20 Q So, you are not aware where the corporate
21 books and records are for DJSP Enterprises BBI?
22 A No, sir, I'm not.
23 Q Are you aware that DJSP Enterprises BBI
24 acquired 71 percent of the DAL Group on January 15th,
25 2010?

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1 A I'm sorry, I'm not.
2 Q Do you know whether or not you were a member
3 of the board of directors of DJSP Enterprises BBI?
4 A I believe I was a member of the board and
5 chairman of the board.
6 Q Until when?
7 A I don't recall.
8 Q Why were -- were you removed?
9 A At the advice of legal counsel, we felt --
10 they felt it would be better for me to step down.
11 Inconsistent with counsel's direction, I voluntarily
12 stepped down. I was not removed.
13 Q Would you agree with me that as of July 1st,
14 2010, The Law Offices of David J. Stern, P.A. was the
15 sole client of DJSP Enterprises BBI?
16 MR. SCRUGGS: Objection.
17 A DJS, with the Law of Offices of David J.
18 Stern, the sole client of Enterprises, I would disagree.
19 Q (By Mr. Jaffe) Who were the other clients at
20 that time?
21 A Part of DJSP Enterprises would include
22 Professional Title and Abstract. And it would include
23 at someday Timeos and it would include Default
24 Servicing. Each of those entities had their own
25 separate clients. For example, Default Servicing on its

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1 own, independent of The Law Offices of David J. Stern,
2 represented PNC Mortgage and two or three other smaller
3 companies. Timeos represented a significant number of
4 clients.
5 Q When did -- when was Timeos acquired?
6 A I don't recall the close date.
7 Q Would it refresh your recollection if I told
8 you August of 2010?
9 A Sounds about right. There's -- I'm not
10 certain because there's some variables before the actual
11 transaction closed.
12 Q So, let's go back to my question. Would you
13 agree with me that as of July 1st, 2010, The Law Offices
14 of David J. Stern, P.A., Professional Title and Abstract
15 and Default Services were the sole clients of DJSP
16 Enterprises BBI?
17 MR. SCRUGGS: Objection. Form.
18 MR. TEW: Same objection.
19 A No, I would not.
20 Q (By Mr. Jaffe) At that time, July 1st, 2010,
21 what other clients did DJSP Enterprises BBI have besides
22 those I just named?
23 A Professional Title and Timeos and Default
24 Servicing were not clients of DJSP Enterprises. They
25 were dropping down through DAL and were holding on the

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1 subsidiaries. Within those holding on subsidiaries,
2 they had their own client base. For example, Default
3 Servicing had relationships for our real liquidation
4 with PNC and -- and a few others. Timeos had 20, 30
5 different relationships. So, I would disagree that the
6 sole clients of DJSP Enterprises were Professional
7 Title, DJS Processing and Default Servicing because
8 they -- they are not, in any way, shape or form,
9 clients.
10 Q Would you agree with me that as of
11 January 2010, you owned 33.15 percent of DJSP
12 Enterprises BBI?
13 A When in January?
14 Q After the 15th.
15 A I don't know. You'd have to ask Tom Vaughn.
16 Q How about February of 2010, did you own
17 33.15 percent?
18 A I'm not sure. I'm not sure what the
19 percentage is or what my ownership was, if it dropped
20 through to another company. I'd have to ask Tom Vaughn.
21 Q DAL was a holding company for DJSP, Florida;
22 DJS Processing; Professional Title and Abstract and
23 Default Services; is that correct?
24 A At what point?
25 Q After January 15th, 2010.

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A What were the -- the operating subsidiaries that you mentioned?

Q DJSP Florida, DJSP Processing, Professional Title and Abstract and Default Services.

A I'm not familiar with DJSP, Florida. Of course, it's DJSP Processing, because I don't know what DJSP, Florida is.

Q All right. How about the others?

A DJSP Processing, Default Servicing and Professional Title and Abstract. As of January 15th, DAL was a holding company for those three entities, yes.

Q You received \$58.5 million in cash and another \$88 million in notes in exchange for the DAL Group obtaining the Stern businesses that we just referenced; is that correct?

A Can you repeat that, please?

Q The DAL Group became the holding company for DJSP Processing, Professional Title and Abstract and Default Servicing in January 15th, 2010; is that correct?

A Yes.

Q And in exchange for that, you received \$58.5 million in cash?

A I'd have to double check on that amount.

Q What do you believe the amount to be?

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A I don't recall.

Q In excess of \$55 million?

A Yes, sir.

Q And in addition, an \$88 million in notes?

A I'd have to look back in paperwork and see how that translates out in terms of notes.

Q Greater than \$80 million, would you agree with that?

A I guess we could say there weren't a note and then the note that I took back, that's correct. Yes, sir.

Q I would like to take a bathroom break at this point.

(Thereupon, a short break was taken.)

(Deposition resumed.)

Q (By Mr. Jaffe) Explain to me please what DJSP Processing once it was established and born in January of 2010 did? What was its role? What did it do?

A It did non-legal services on behalf of the Law Offices of David J. Stern.

Q How did those services differ on January 16th, 2010 than December 31st, 2009?

A How did they differ?

Q Uh-huh. Differ. How the services differ?

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A On December 30th, 19- -- or 2010, the services were rendered by --

Q 2009.

A 2009, thank you. -- by employees of the Law Offices of David J. Stern, the attorneys.

Q And they would do what, for example?

A They would do the non-legal work. They would prepare complaints. They would do proofs of claims. They would do eviction pleadings. Once the transaction occurred, DJSP Processing was governed by a services agreement. Services agreement, of course, was a negotiated document that defines services, compensation, facility agreement amongst other things. And it clearly indicated that the way it used to be done by a single entity was no longer the case, there was no longer one entity. There were -- it was not a one entity enterprise. There were two entities with a definition of what Processing was to do and what the law firm was to do. In essence, became a vendor/client relationship with the vendor being DJSP Processing and the client, of course, being the Law Offices of David J. Stern.

Q Fine. Now, would you agree with me that the actual day-to-day physical work that the employees did was the same?

A It cannot do that. It was not --

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Q Why?

A Because when Processing was born, a whole new concept was brought in. Norman was brought in, Rick Powers was brought in. The process --

Q Rick Powers was brought in on July of 2010.

A Well, there was interim CEOs or interim COOs that came in, a gentleman by the name of Phil Cobb. So, Phil began to guide Processing to do things that were, in essence, fabulous, unprecedented, in terms of measuring by the matrix, better training, those sort of things.

Q They still drafted complaints?

A Yes, sir. But with greater efficiency.

Q They still dealt with service process?

A With greater efficiency.

Q They still dealt with obtaining judgment?

A With tremendously greater efficiency. Up four-fold.

Q Still dealt with sales?

A With greater efficiency.

Q And post sales?

A With greater efficiency.

Q And the same people that were previously employed by the law office?

A And some others.

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1 Q And, in fact, they worked the same desks?
2 A And some others were too.
3 Q And on the same floors?
4 A Correct.
5 Q And using the same phones?
6 A Pursuant to a facilities management agreement,
7 yes, sir.
8 Q And using the same e-mail?
9 A Pursuant to a facilities services agreement.
10 Q And directed by the same HR department?
11 A HR was a functionality of DJS Processing. And
12 pursuant to the terms in the services agreement, the HR
13 functionality was outsourced from the law firm to DJS
14 Processing, correct, yes.
15 Q Same people?
16 A Absolutely.
17 Q Same director?
18 A No, sir.
19 Q Chris Simmons?
20 A Chris Simmons was not there prior to
21 January 15th.
22 Q Okay.
23 A So, not the same people. Different people.
24 Q A vast majority of the same people?
25 MR. SCRUGGS: Objection to form.

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1 Q (By Mr. Jaffe) With regard to HR? That was a
2 bad question.
3 A I disagree.
4 Q Okay.
5 A I totally disagree.
6 Q All right. Professional Title and Abstract.
7 A Okay.
8 Q Same people employed in a leadership role.
9 Sam, right? He was employed before January 15th, 2010
10 with Professional Abstract and Title.
11 A Sam Silverglate, correct.
12 Q And was employed with them in the same
13 capacity after January 15th, 2010?
14 A Sam was employed with the law firm, not DJS
15 Processing.
16 Q Okay.
17 A You've lost me on that one.
18 Q It's okay.
19 A So, I disagree.
20 Q Okay. I've tried to lose you a couple of
21 times, not intentionally. Was there a finance
22 department in the law office prior to January of 2010?
23 A How would you define finance?
24 Q Right. An accounting department, same
25 difference. I'm trying to --

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1 A There was an accounting department.
2 Q Okay. Did that include finance?
3 A I don't know what finance means. I mean, we
4 didn't finance anything.
5 Q It's a bad question.
6 A The law firm --
7 Q What did the accounting department do?
8 A The accounting department had multiple
9 functionality.
10 Q Accounts payable?
11 A Accounts payable.
12 Q Accounts receivable?
13 A Accounts receivable, collections. Statement
14 balancing in all the accounts. It was for both the law
15 firm and for Processing and for Professional Title and
16 for Default Servicing.
17 Q Okay. And those payrolls -- payroll was
18 outsourced, right, to -- was payroll outsourced?
19 A Payroll was outsourced to ADP.
20 Q The people in accounting who were employed by
21 the law firm in December of 2009 were still employed in
22 the same building and in the same space at their same
23 desks in January of 2010?
24 A Some were, some weren't.
25 Q Do you know where the IT department physically

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1 was within the building?
2 A The servers were on the fourth floor and some
3 of the people, the IT folks, were on the fourth floor.
4 But for efficiency, my understanding was that there were
5 a couple of technicians on each floor for quick
6 response.
7 Q The employees of the IT department remained
8 employees of the IT department after January 15th, 2010?
9 MR. SCRUGGS: Object to the form.
10 A Some did, some didn't.
11 Norman, a CIO, highly compensated employee was
12 brought in. Several people were let go, just like the
13 accounting department, a CFO, Kumar Gushani, was brought
14 in. Esther was brought in to replace Shameeza. So,
15 there were lots of changes.
16 Q (By Mr. Jaffe) How about a guy named Vince?
17 A Vince Petrov is or was the head of the IT,
18 without a title, prior to the January 15th, 2010 date.
19 Q And he remained employed in the IT capacity
20 after --
21 A Reporting to Norman Gottschalk.
22 Q Did he change desks?
23 A I don't know.
24 Q Changed phones?
25 A No -- I have no idea.

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Q Came in the same door downstairs?

A I'm sure he came into the same door.

Q How about Jack Brookshaw?

A Jack Brookshaw was a member of the IT team. Vince did more programming and Jack did more hardware.

Q And Jack was employed in 2009 and 2010 as well?

A Prior to January 15th, 2010, Jack Brookshaw was employed by the Law Offices of David J. Stern as senior person that did soft -- that did the hardware. On or about January 15th, he became an employee of DJS Processing in a non-managerial, non-supervisory role. And given the changes, reported to Norman and Norman's group.

Q After January 15th, 2010, who supervised DJS Processing?

MR. SCRUGGS: Objection. Form.

MR. TEW: Same objection.

A DJSP Processing was supervised by a whole host of areas, or a whole host of individuals depending upon the nature of the department, certainly consisted with the services agreement that existed between the Law Offices of David J. Stern and DJS Processing.

Q (By Mr. Jaffe) What was Cheryl Sammons' title on January 16th, 2010?

A January 16th, 2010, as the transaction evolved, it was originally my plan for Cheryl to be the operations manager over enterprise, over everything. And as time evolved and more and more developed, and I became educated into new matters or new -- new ways to manage, greater technology, measuring by the matrix, stronger -- stronger management skills that Phil Cobb, who came in as an initial COO, certainly as Rick Powers came in as the C -- as a subsequent COO. It became abundantly clear that neither Cheryl or even me on my best day could ever be an operations manager over all of those entities, quite simply because Cheryl didn't have the pay grade, expertise, knowledge, education, I'm not saying she couldn't learn it. So, while originally she was the operations manager over enterprises, she subsequently became the operations manager over DJS Processing. For the non-legal side, obviously, which was Processing by its definition and for the purposes of the services agreement. I don't know what date the enterprise was taken off the table for her and the Processing placed as her pretty much sole responsibility with no oversight or intervention into Professional Title, Default Servicing or at the right date for Timeos.

Q After January 15th, 2010, how often would you

meet with Cheryl Sammons on property unplanned?

A Scheduled meetings, once a month. If she needed something in which she popped her head in, then obviously I would meet with her. But for the most part, Cheryl worked with the heads of the other departments within DJS Processing and together they managed the day-to-day operation. And where there is overlap with the Law Offices of David J. Stern pursuant to that services agreement, Miriam Mendieta and Beverly McComas would come in. Without violating the terms in the services agreement, they work together to orchestrate the initially smooth running operation.

Q I asked you how often you would meet with Cheryl Sammons. Now, I'm going to ask you how often you would speak to Cheryl Sammons after January 15th, 2010?

A If I spoke with her, it would have been a meeting with her. She came in and if she had a question, what about this client or David are you aware that, you know, these circumstances took place, I just want to let you know in case you get a call from ABC Bank, that was our forte. The rules were that if there was a problem, a severe problem, I want to get to the client before the client got to me. Fortunately, early on that did not happen all that much. So, there were times where I didn't speak to Cheryl for two weeks,

three weeks because I was on the road, she had a different schedule, I had a different schedule, I had meetings. Of course, after January 15th, we did a lot of investor presentations, so I was gone pretty much non -- nonstop or I was visiting my clients.

Q Would you talk to her on the cell?

A If there's a problem, yes, sir.

Q How frequently?

A Infrequently.

Q With regard -- I'm jumping back for a second. With regard to the 401(k) issue and contributions, after January 15th, 2010, are you aware whether or not the DJS Processing employees were able to participate in the Law Offices of David J. Stern, P.A. 401(k)?

A I have absolutely no idea how that worked out.

Q Are you aware whether or not there was shared administrative costs between the DJS Processing, Professional Title and Abstract and Default Services with regard to their participation in the 401(k)?

A I'm sorry. I have no idea.

Q In 2009 prior to going public, obviously -- prior to going public -- going public in January 2010, would you agree with me that the volume of new business continued to rise?

A I would -- I would not agree with you.

Q So, you would agree then that in 2009, the volume of new business began to drop?

A Business began to drop despite our expectations in 2010.

Q I said 2009.

A Business was greater in 2009 than it was in 2010.

Q Did business increase in 2009?

A Over 2008?

Q Yes.

A Yes, sir.

Q Do you remember being told that there were hundreds of phone calls from people that your law office was foreclosing upon complaining that they had never been served their foreclosure notice?

A Told by whom?

Q Cheryl Sammons.

A No. I remember that --

MR. TEW: There's no pending question.

A Okay.

Q (By Mr. Jaffe) Who is Tammy -- and I'll spell it instead of butchering the pronunciation of them after the -- K-A-P-U-S-T-A?

A I believe that's Tammy Kapusta who I do not know.

Q You are aware though that she worked at -- as a paralegal?

A I'm aware that she worked at my office. I don't know her functionality.

Q Nor any of her responsibilities, roles while she was there?

A I only know that she was escorted out by the police and she lost her only child to her blind husband.

Q So, it's your inference that she wouldn't tell the truth?

A My inference is that she has no credibility based on what I understand or understood her to say. As I sit here today, my testimony is that I did not read her deposition. As I glanced at it, to me, it was just a blog because it was such garbage. I went to Cheryl because I knew clients would call, and Cheryl said David, she's a fruitcake, she got fired, she got escorted out by the police and to say how bad she is, she, in a custody, lost her child to her blind husband.

Q Did you read Cheryl Sammons' deposition?

A Which deposition?

Q How about the one in May of 2009?

A You have to tell me what it was. What case it was.

Q No, I don't -- it could be any of her

depositions.

A No.

Q Are you familiar with what case on this?

A Yes, sir.

Q Did you, in any way, developed it?

A With Shapiro or with my office?

Q Good question. Your office.

A With my office, we created a case summary, "we" being Cheryl and I, that listed from the referral any bits of information that would be necessary to create a merged document. Client, client address, borrower, borrower's address, loan number, UPB, anything that would merge into any pleading. That case sum document saved us a lot of time, tremendously efficient. From the time that Cheryl and I created it, probably was two months, three months as Miriam started that I never really looked at a case sum again, and I'm sure that it got expanded a hundred times over without my sign-off because I don't need to sign off on the cases.

Q What is UPB?

A Well, in my profession, it's unpaid principal balance. I guess, if you're playing basketball or sports. Unpaid principal balance.

Q Well, I know what it means in sports.

A Yeah. I mean, it's true it's out there for

something.

Q Would you agree with me that there was pressure put on Cheryl Sammons by you to get judgments entered so that the reports in the bank showed completed transactions?

MR. TEW: Object to the form.

A No, I wouldn't. If Cheryl had issues, she would come to me as she had done in the past and I would rectify the situation by getting rid of clients or calling clients to tell them you can turn off the volume. Cheryl knew if there was a problem, she could come to me. And that's why they had pretty much carte blanche, no restrictions on salary, no restrictions on hiring, take whatever space you need to take, no budget. They had -- they had the best of all worlds.

Q (By Mr. Jaffe) It sounds like a great place to work. During 2008, 2009, would Fannie Mae auditors come on property?

A In 2008, Fannie Mae created a new designated counsel program or network. They came on property to interview each of the firms and to review our operation, kick the tires if you will. I am not aware of any other Fannie Mae visit or on site, until probably June or July of 2010 when --

MR. TEW: Wait a minute. You've answered the

1 question.
2 A -- when Fannie Mae came in to visit law firms.
3 Q (By Mr. Jaffe) Did Fannie Mae come on property
4 in 2008, Fannie Mae auditors?
5 A Fannie Mae auditors did not come out. I do
6 not believe Fannie Mae auditors came on property. I
7 believe their audit was a mail away audit.
8 Q Okay. Did Fannie Mae auditors come on
9 property in 2009?
10 A I'm not -- let me -- let me go back. I don't
11 think they came on in 2008. I think they came --
12 they -- I'm sorry. They never came on, to the best of
13 my knowledge. I am not aware of an audit of any sort on
14 property or mail away in 2008. I believe it was 2009
15 that they did an audit but it was a mail away audit.
16 Q When Fannie Mae -- and I'm sorry, I was
17 interrupted so I lost the answer to the question that I
18 wanted to hear the answer to. 2009, did Fannie Mae come
19 on property?
20 A For what purpose?
21 Q Any.
22 A Yes, sir.
23 Q And did they let you know before they were
24 coming on property that they were coming?
25 A They came on property they let us know for

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1 training and loss mitigation initiatives.
2 Q Okay. So, you knew they were coming?
3 A Yes, sir.
4 Q Okay. Did you instruct Cheryl or any staff
5 members to extend hours in order to -- did you instruct
6 staff to extend hours in anticipation of their meeting?
7 A That -- that's not what I did. That would be
8 a day-to-day operation or decision. To the best of my
9 knowledge, I wouldn't have any reason to do that and I
10 would not do that. That would be Cheryl.
11 Q Okay. So, if it happened --
12 A I'm not saying it didn't, but I'm telling you
13 I did not.
14 Q Sure. But I'm acknowledging that and say, if,
15 in fact, it happened, that would have -- Cheryl would
16 have been the person at the top that would have
17 authorized that behavior?
18 A It depends if you're talking about
19 Processing --
20 Q Yes.
21 A -- or you're talking about one of the other
22 entities.
23 Q Processing.
24 A It would have been Cheryl.
25 Q Do you have any knowledge with regard to the

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1 instruction of staff members to rip stickers and client
2 codes off the Fannie Mae files replacing them with those
3 of a different lender?
4 A I do not.
5 Q Have you ever heard that accusation?
6 A Ripping the sticker off and replace it with a
7 different client, no, I haven't. The files are \$3 and
8 80-some odd cents, I -- it's been so long I know the
9 price of them. But once the files were done because
10 they're so expensive, the items would be documented, it
11 would be put into a manila folder and we would re-use
12 the folder again for a brand new case.
13 Q So, that's no?
14 A That's -- the answer to your question is no.
15 Q Are you aware that staff was instructed to
16 remove the Fannie Mae files and put them into a remote
17 back room?
18 MR. TEW: Object to the form.
19 A No, I'm not.
20 Q (By Mr. Jaffe) When Fannie Mae did come on
21 property, what was your role? Did you meet with them?
22 A When Fannie came for loss mitigation, they
23 asked that I be there simply to share best practices on
24 what I see in other states with other law firms and give
25 them benefit of my knowledge of what I understand to

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1 work or not work. So, from a loss mitigation
2 standpoint, I would have been in attendance at that
3 meeting, but that, again, was not an audit meeting.
4 There was a meeting where the higher ups at Fannie Mae
5 came in and ask me to be in attendance as they were
6 going by to see all of their large Florida firms. And
7 wanted to impress upon us the need to stay fully
8 staffed, anticipations of huge, huge shadow inventory.
9 Inventory that was in default but had not yet been
10 referred for various reasons. And also to get my take
11 on what the issues may be for backup, if any, of files;
12 HEF, HOFA, all Obama initiatives that slowed down the
13 process. So --
14 Q Why did they want you there?
15 A Because I'm the guy that knows what's going on
16 with other states. I'm the guy that goes to these
17 seminars. I'm the guy that probably more so than anyone
18 is in touch with the largest 10 lenders in the country,
19 and they were picking my brain to say hey, do you know
20 of any problems that the servicers are having, David, do
21 you know if they are, you know, getting you what you
22 need. Well, I can't tell you if they're getting us what
23 we need unless, you know, Cheryl would say Client ABC
24 would sent 10 affidavits and we haven't gotten them
25 back.

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Q Would Cheryl be in those meetings?

A Cheryl would be in those meetings, yes. As would Miriam, as would Beth. All good meetings, all positive meetings, all exciting meetings for growth and anticipation of volume. Huge numbers of shadow inventory.

Q On site, on the physical plant, 900 South Pine Island --

A 900 South Island, fourth floor conference room.

Q Big conference room?

A Big conference room.

Q You're aware that, periodically, Cheryl Sammons was deposed?

A I am, yes, sir.

Q Again, you've already testified that you never read her depositions, is that accurate?

A That is accurate, yes.

Q When was the last time you spoke to Cheryl?

A Latter part of -- probably, the latter part of November 2010.

Q Why?

A Because as the wheels came off, it came off under her watch and based on my testimony it's very apparent that I had tremendous trust and confidence in

her and let her run the show. Not knowing that anything was wrong, I watched my world unravel. And as items came up, I was not aware of certain things and they may or may not have been the reason for Fannie and Freddie pulling the plug at the end of the day. I think it's a major reaction and political. But at that point in time, I terminated her.

Q When was that? Ballpark, November?

A End of November, yes. And Miriam as well.

Q Did you ever discuss with Cheryl her deposition testimony in about the time in which they were occurring?

A I would deal with Jeff too and in-house counsel for Forest McSurdy --

Q Don't tell me anything you've talked to those guys about.

A No, I'm not. I'm not. -- to determine if there were any issues or what needed to be taken if there's going to be any surprises. And Jeff, if anything needed to be fixed, he fixed it. And they educated me on the fix. And that was that.

Q So, that's a yes?

A Did I talk to Cheryl about her depo? Not specifics. How did it go. That's about it.

Q Well, was it about how was it kind of go?

A Yeah, how did it go. But again, it wasn't a big deal for me because Jeff would have been present in those depositions. And Jeff would have come if there were problems and said these are the problems, or these are going forward with would be our best practices. So, I had it from him, I didn't need to go see Cheryl.

Q So, whatever occurred during the Sammons depositions, you were made aware of?

A If they were problematic, I would be made aware of them and what measures to take to -- to fix the issue, I would be made aware of. Nothing that I sat down and said oh, my God, I'm going to read this deposition myself because I have Jeff.

Q Just for the record, Jeff is Jeffery Tew --

A Jeffrey Tew.

Q -- sitting next to you?

A Jeffrey Tew, Tew Cardenas, attorney extraordinaire. And from those depositions and depositions of others, Jeff would come and say everything good but I have some recommendations for best practices due to changing environments. And for the most part, we always win.

Q Would you -- were you told that with regard to the Sammons depo in Deutsche Bank v. B-E-L-O-U-R-D-E-S, P-I-E-R-A that Sammons testified that there were at

times the wrong party of interest in certain documents?

MR. TEW: If any of your lawyers told you that, you shouldn't answer. That's privileged.

A I don't know even know which case you're talking about. I'm sorry.

Q (By Mr. Jaffe) Is it your testimony that at Cheryl Sammons' depositions, Jeffrey Tew of Tew Cardenas was her lawyer?

A I don't think in every single one. There may have been Forest McSurdy from our firm or Michelle Mason or Donna Glaick, I'm not sure. That wasn't a day-to-day thing that I was involved in. I would venture to say that Jeff was brought in at the request of Forest -- Jeff Tew was brought in at the request of Forest McSurdy depending upon the nature of the -- of the deposition or the nature of the case.

Q Do you know whether or not Jeff Tew was in attendance at the Sammons deposition taken on May 20th, 2009?

A I don't.

Q Do you know if Jeff Tew was in attendance in the Sammons deposition that was taken on April 29th, 2010?

A I do not.

Q Were you made aware from Ms. Sammons that she

1 testified in April of 2010 that her signature does not
2 mean the contents of the document she signed was
3 accurate and truthful?

4 A I'm sorry? Would you read that back.

5 (Thereupon, the record was played
6 back.)

7 (Deposition resumed.)

8 A I don't even understand the question.

9 Q (By Mr. Jaffe) Was one of Ms. Sammons' roles
10 in 2008, 2009 to sign certain documents?

11 A Certain types of documents, yes. Not all of
12 2009 and only for certain clients.

13 Q What type of documents?

14 A Assignments of mortgage for MERS, mortgage
15 electronic registration, and -- and that, of course, was
16 executed pursuant to a MERS corporate resolution
17 empowering Cheryl and others to sign.

18 Q Okay.

19 A Cheryl also -- Cheryl and others, pursuant to
20 power of attorneys from various clients, would have
21 executed affidavits of indebtedness after their review
22 of the contents of the affidavits pursuant to power of
23 attorney that were, of course, set out under the
24 signature line.

25 Q Okay. And are you aware -- did Ms. Sammons

1 ever tell you that she testified that my signature on
2 certain documents doesn't mean that the contents of the
3 documents are either accurate or truthful?

4 MR. TEW: Object to the form of the question.
5 Misstates the testimony.

6 A I -- she actually never told me that.

7 Q (By Mr. Jaffe) Okay. When the stock -- when
8 you went public and the stock was issued, what was the
9 trade price, approximate trade price?

10 A \$8.81.

11 Q 10 -- \$10?

12 A I think it was \$8.81. I don't recall. I
13 mean, it went to \$10, it went to \$12.50, it went to \$15.

14 Q All right. Would you agree with me that by
15 February of 2010 it was trading at half that?

16 A February of 2010?

17 Q Yes.

18 A It was trading at --

19 Q \$5-ish.

20 A I don't -- I don't believe so.

21 Q By April 15th, 2010, it was down by almost 88
22 percent?

23 A I don't recall that, no.

24 Q July 20th, 2010, you were sued in an investor
25 class action security suit?

1 A When you say "you," who's you?

2 Q Fair enough. Stern -- Law Offices of David J.
3 Stern, P.A. Question?

4 A No.

5 Q DJSP Enterprise, BBI?

6 A I have to look back and sign up a complaint.

7 Q But you are aware that there was a securities
8 case filed?

9 A I am, yes, sir.

10 Q Also in July 2010, there was a RICO class
11 action filed against you?

12 A Who's you?

13 Q Fair enough. There was a RICO class action
14 filed against certain -- Stern, P.A., DJSP and others?

15 A So, not me. The 23 MERS members, yes, sir.
16 Which the court dismissed.

17 Q Are you aware that July 27th, 2010 DJSP
18 Enterprises, BBI announced through a press release that
19 new referrals had decreased?

20 A I'd have to see the press release of the time.
21 I understand there was a press release made, but I don't
22 know if it's July 27th. If you say there's one done,
23 then we can stipulate to that.

24 Q I'll get it if you want to.

25 A Okay.

1 MR. JAFFE: Frank, you want a copy?

2 MR. SCRUGGS: Yes, please. Thank you.

3 Q (By Mr. Jaffe) Thought we're going to get
4 through without it because it looks --

5 A No. No. We -- we --

6 Q Plaintiff's 1.

7 (Thereupon, Exhibit 1 was entered
8 into the record.)

9 A I don't mind. You said guys, I'm good, in
10 there.

11 MR. BERNSTEIN: You already made the copies,
12 so might as well hand them out.

13 Q (By Mr. Jaffe) All right. I just handed you
14 what's been marked as Plaintiff's Exhibit 1 for
15 identification purposes. Take a look at it and then I
16 will ask a question. I would direct your attention to
17 the second paragraph -- oh, the first paragraph where it
18 has a date and then the second paragraph.

19 A Okay. Yes, we did send out that press release
20 dated July 27th.

21 Q All right. So, back to my question. Let's
22 just be clear on the record. As of July 27th, 2010,
23 DJSP Enterprises, BBI announced that new referral
24 business had decreased?

25 A Yes.

Q Okay. Are you aware that August 10th, 2010 the attorney general of the State of Florida began investigating your law office?

A I'm sorry.

(Thereupon, Exhibit 2 was entered into the record.)

Q (By Mr. Jaffe) I'm going to show you what's now been marked as Plaintiff's 2 for identification purposes. And ask you if you recognize that.

A This is a press release that announces investigate -- new investigations against Law Offices of Marshall Watson, Shapiro & Fishman, Law Office of David J. Stern.

Q So, does that refresh your recollection that on August 10th, 2010 the attorney general of the State of Florida began an investigation?

A No, sir, it does not.

Q Okay.

A I don't know if I have personal knowledge when they started it, I just know when the release came out.

Q Okay. In August of 2010, were you made aware by anybody that the AG was investigating you, "you" being the law office?

A I don't know if it was on the 11th or the 12th or the 13th.

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Q So, you were made aware?

A I was made aware but I don't know if it was August 10th.

Q Okay. All right. So, sometime in August you were made aware that the attorney general's office had begun an investigation of your law office?

A Based on this press release that would -- I would know, somewhere around there, yes, definitely in the month of August.

Q So, then you had a conference call with investors on September 8th, 2010, correct?

A Sorry?

Q Okay. If we could go back to Plaintiff's 1. Specifically referring to paragraph five that begins with "Rick Powers". Let me know when you're ready.

A Okay.

Q Would you agree with me that in a July 27th, 2010 press release, DJSP Enterprises announced that there would be no immediate plans for significant staffing changes?

MR. SCRUGGS: Object to the form.

MR. TEW: Object to the form.

A Rick was quoted to saying, "We have no immediate plan for significant staffing changes that would reduce our response time or our ability to handle

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the volume."

Q (By Mr. Jaffe) Do you understand what he means when he says, "We must also focus on our legacy population"?

A Yes.

MR. TEW: Object to the form.

Q (By Mr. Jaffe) You can answer.

A Yes.

Q What does he mean?

A He means that there are files that had been in the office that our legacy files, meaning they've been around for a while. Generally, on -- on hold for HEP and HOFA. And Fannie and Freddie were pushing servicers to get these files off hold. So, we're seeing huge numbers of files by the -- by the thousands coming off hold with proceeds. Hence, he saying that while we have no immediate plans for staff changes, we're going to use that existing staff to handle those files that had come off of hold from HEP and HOFA and get those moving through the system.

Q And let's move back to a question I asked you previously. And I'll ask a better question.

A Okay.

Q Would you agree with me that the Law Offices of David J. Stern, P.A. was the principal customer of

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DJSP Enterprises, BBI?

MR. SCRUGGS: Object to the form.

MR. TEW: Same objection. Form.

A No.

Q (By Mr. Jaffe) No? All right. Let me direct your attention down to the bottom of this press release, last paragraph.

A Okay.

Q And if you could read to me, beginning with the word "the company's principal customer is."

A "The company's principal customer is the Law Office of David J. Stern whose clients include all of the top 10 and 17th of the top 20 mortgage servicers in the United States many which have been" -- I'm sorry -- "customers of the law firm for more than 10 years. The company has approximately a thousand employees and is headquartered in."

Q Does that refresh your recollection that the Law Office of David J. Stern, P.A. was a principal customer of DJSP Enterprises?

A It is the principal customer of DJS Processing.

Q So, this is inaccurate?

A It's not inaccurate. It's DJS Processing is then part of DJSP Enterprises. But DJSP Enterprises has

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other clients.

Q So, it's less than complete?

A I think it's complete. I understand it.

Q Okay. With investors?

A Other clients.

Q Investors in the stock?

MR. TEW: Object to the form.

A I'm sorry. One, I can't speak for the investors.

Q (By Mr. Jaffe) All right. Have you ever been become made aware of the attorney general of the State of Florida's investigation into your law firm as to what they're investigating?

A I have.

Q Are you aware that one of the things their investigating is the creation of false legal documents?

A False legal documents. What's a false legal document?

Q Documents containing false information.

A I -- I'm -- I'm not aware of that. And they may be investigating it but I'm not aware if -- if that's one of their obligations in the business.

Q Right. That's all I'm asking you, of what you're aware of, whether or not they're investigating your law firm regarding inflated fees.

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A I had heard that on -- on -- on a list of one of the items, that's correct.

Q The AG is investigating your law office for referring business to companies that the law firm owns or has a financial interest in?

A I haven't heard that one.

Q Filing foreclosures without proving the bank owns the loan?

A I've heard that they're investigate -- they were investigating that.

Q Investigating the allegations that there were false mortgage assignments?

A False mortgage assignments, I have not heard that. I don't know what a false mortgage assignment is.

Q A mortgage assignment containing false information.

A I -- they're maybe investigating. I'm not aware of that.

Q Investigating false or fraudulent signatures?

A I'm aware of that.

Q Falsifying notarizations?

A I wouldn't say falsifying but questioning notarizations in the notary's presence while the party is signing it.

Q Are you aware that the attorney general's

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office is investigating foreclosures on people without verifying their identities?

A I don't know how you do that, I'm not aware of that. But the AG wouldn't surprise me.

Q Are you aware that the attorney general is investigating the law office for foreclosing on people without verifying the amount that is owed?

A I guess that would be part of the review of the affidavits. So, yes.

Q Are you aware that the attorney general's investigating the law office or you, individually, for paying kickbacks to banks?

A I did hear that one.

Q Let's move on to September 8th, 2010. Do you have a recollection of having a conference call with investors?

MR. SCRUGGS: Asked and answered.

A I'm not sure what day but let's look at the press release.

(Thereupon, Exhibit 3 was entered into the record.)

Q (By Mr. Jaffe) Let me show you what has now been marked as Plaintiff's Exhibit 3 for identification purposes. Take a look at that.

A Do you want me to read the whole thing?

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Q No. No. No. No.

A Okay.

Q Let me direct your attention to page four of this document, entitled "conference call information." Please read that paragraph to yourself.

A Okay.

Q Does that refresh your recollection that there was an investor conference call on September 8th, 2010?

A It does.

Q Do you recollect where you were, when you participated in that conference call?

A I don't. I don't.

Q Can I refresh your recollection by suggesting to you that you're on your boat?

A Absolutely not.

Q Do you have a recollection of being live on the premises or on the plant facility at 900 South Pine Island Road?

A I don't know if we were on the road. I would think, given the sensitivity -- I don't recall, but I can say I was not on my boat.

Q Let me ask you some questions. Do you have an independent recollection of the content of that call, what you said?

A I believe I said very little. Rick Powers

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1 handled that call to the best of my recollection.

2 Q Okay. And certainly, the tape recording of
3 the contents of that call speak for themselves and with
4 regard to who spoke and how much they spoke, correct?

5 A Correct.

6 Q Okay. Do you have a recollection of saying
7 that DJSP Enterprises had 20 percent of the market share
8 in Florida?

9 MR. TEW: Object to the form.

10 A I don't recall saying that ever, or at what
11 point in time -- are you saying I said that on this
12 call?

13 Q (By Mr. Jaffe) I'm asking you if you did.

14 A I don't believe I -- I don't recall.

15 Q Do you recall saying that there was 1,200
16 employees in DJSP Enterprises?

17 A I don't recall what I said on that particular
18 call.

19 Q Do you believe -- do you have a recollection
20 of whether or not you said that DJSP Enterprises was the
21 largest provider of processed services to the mortgage
22 lending industry in the State of Florida?

23 MR. TEW: Object to the form.

24 A I don't recall what I said.

25 Q (By Mr. Jaffe) Do you have a recollection

1 whether or not you said DJSP Enterprises is believed to
2 be the largest in the country in terms of judicial
3 foreclosures?

4 MR. TEW: Object to the form.

5 A I don't recall what I said on that call.

6 Q (By Mr. Jaffe) Would you agree with me that
7 Wells Fargo, GMAC and Goldman Sachs were some of your
8 top clients as of September 2010?

9 A No.

10 Q Would you agree with me that BOA, Citigroup
11 and HSBC were some of your top clients as of September
12 2010?

13 A No.

14 Q Would you agree with me that PNC, Freddie Mac
15 and Fannie Mae were some of your top clients as of
16 September 2010?

17 A How -- define "some of your top clients."

18 Q Were you doing work for any of those lenders?

19 A Okay. That doesn't -- yes, I was doing work
20 for -- well, the answer to your question is no.

21 Q As of September of 2010, you weren't doing any
22 work for any of those lenders?

23 A Fannie Mae and Freddie Mac are not lenders.
24 And you put the three of them together, therefore the
25 answer is no.

1 Q Were you doing any work for Wells Fargo?

2 A Yes, sir.

3 Q Were you doing any work for GMAC?

4 A Yes, sir.

5 Q Were you doing any work for Goldman Sachs?

6 A Not that I know of.

7 Q Bank of America?

8 A Yes, sir.

9 MR. TEW: These are referring to the law firm
10 of David Stern, right?

11 MR. JAFFE: This --

12 MR. TEW: Then I'm going to object to all
13 these questions you -- unless it means the Law
14 Offices of David Stern.

15 MR. JAFFE: I didn't mean him, individually.

16 MR. TEW: Well, there's no other law firm that
17 could be rendering services. I'll object to all of
18 those questions, unless you mean the Law Office of
19 David J. Stern.

20 MR. SCRUGGS: You know, I'll join. I'll move
21 to strike the answers on the basis that -- of the
22 questions.

23 Q (By Mr. Jaffe) Would you agree with me that
24 the following clients had been your clients, yours being
25 the Law Office of David J. Stern since 1994, Bank of

1 America?

2 A No, sir.

3 Q When did they become a client of your law
4 firm?

5 A I'd have to look and see when Bank of America
6 came on the scene. There's NCNB and there's
7 NationsBank. In 1994, Bank of America, I don't think
8 they existed. They certainly weren't our client.

9 Q Okay. Citigroup?

10 A Citigroup?

11 Q When did they come out --

12 A As a client of the Law Offices of David J.
13 Stern?

14 Q Yes, sir.

15 A 1994.

16 Q HSBC?

17 A There may be referrals that come from clients
18 where HSBC is a plaintiff, but a direct relationship
19 with HSBC, I don't recall. Not in 1994 though.

20 Q Is it fair to say though on that conference
21 call of September 2010, you held yourself out to
22 represent all of the top 10 lenders?

23 A I don't recall what I said on that call.

24 MR. TEW: Yeah. Same objection as you.

25 Q (By Mr. Jaffe) You, as it relates to a

conference call, were you speaking is what my reference is to you, that you said that the law office or DJSP enterprises represents all the top 10 lenders?

MR. TEW: Same objection.

A I don't recall what I, David J. Stern, said on that call.

Q (By Mr. Jaffe) Okay. Do you recollect saying on that call that you expected growth to be at historical heights between 2012 and 2017?

A I, David J. Stern, do not recall anything that I said or that call. I may have said hi, this is David Stern.

Q I think you might have said a little more than that.

(Thereupon, a short discussion was had off record.)

(Deposition resumed.)

Q (By Mr. Jaffe) Now that we have been speaking about the conference call on September 8th, 2010, do you recollect if you were reading from script?

A I do not.

Q Do you recollect if what documents, if any, you were referring to and looking at while you were speaking?

A I don't. I'm sorry.

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Q Is there anything that would refresh your recollection as to what you were looking at and referencing during that call?

A I assume that if we read off the script, then we could find the script.

Q Is that something that was done on investor-cost, that is, reading off the script at times?

A At times.

Q Assuming you said we have direct source for Wells Fargo and for GMAC, what does that mean?

A Assuming I said it? Direct source is a relationship whereby services have retained law firms to handle both law firm functionality as well as servicer functionality. It results in increased volume, better control over the files, closer relationships with the clients and it avoids payment of any outsourcing fees.

Q What does GSE mean to you?

A Government-sponsored entity, Fannie Mae, Freddie Mac.

Q Do you recollect telling people on the other end of the phone call, the conference call, that one of the GSEs that was with us the other day in our office, they actually were there to kick the tires. Do you remember making that statement?

A I don't remember anything I said on that call.

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Q Do you remember GSE being in your office a few days prior to September 8th, 2010?

A I would have to look back at my calendar and see which GSE and what it was. As I -- yeah, that's all.

Q What are lien searches?

A Lien searches are searches that people may have against themselves, generally attaches to the property. So, if you want to give somebody a credit card, you're going to want to do a lien search to see if these people have any judgments or liens against them.

Q Is that a business that DJSP Enterprises was looking to get into?

A Yes, sir.

Q Do you remember telling the investors that that would create a \$100 to \$150 a pop?

A I don't recall. "At what point in time," would be my first question, "What investors were?" and --

Q The September --

A I can't tell you. I don't recall what I said on that call.

Q I'm still -- I'm only talking about the September 2000 --

A I don't have any recollection of what was said

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on that particular call.

Q Generally speaking, do you believe you gave a positive forecast for the future of DJSP Enterprises on that September 8, 2010 phone call?

A I don't recall what I said on that particular day in terms of anything.

Q On September 8th, 2010, the date of that conference call, were you aware that two weeks later, approximately, Ms. Kapusta's deposition was being taken by the attorney general?

A Was I aware at that time of this call, that two weeks after, they were going to take her deposition?

Q Sure.

A Sorry. My crystal ball was broken that day.

Q But generally, there's some notice given?

A No, there's not. There's no notice. There's no right for us to cross-examine. There's no right for us to be there. There's no nothing. So, the answer is no.

Q I appreciate you clearing that up.

A Keep asking your questions.

Q Do you recollect -- referring to Plaintiff's Exhibit No. 3 for identification purposes. A press release sent out, September 7th, a day before the investor conference call by DJSP Enterprises. I'm

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directing your attention to page three under "Operation Discussions".

A Okay. I'm sorry. What was your question?

Q I haven't asked you yet.

A Okay. All right.

Q Is it fair to say that you were telling your investors by this press release that DJSP Enterprises believed file volume would increase over the third quarter?

MR. TEW: Object to the form of the question.

That's an incomplete sentence or part of a sentence.

Q (By Mr. Jaffe) All right. Based on the objection, I'll torture you, and then ask you to read, please, for the record, beginning with "As of" -- or "As a."

A "As a result of management's discussion with our largest clients" -- "client, the law office of David J. Stern PA, and with the major lenders and servicers for whom DJSP process foreclosure files, we believed file volume would increase in the third quarter and we previously decided to maintain current staffing levels; however, file volumes continued to be delayed and existing staffing levels are not sustainable indefinitely."

Q So, here, explain to me, if you can, the purpose of that paragraph.

A It was the belief that volume would increase in the third quarter. And DJSP Processing had decided to maintain current levels. At this point in time, the volume hasn't come back or they continued to be delayed. And as such, the existing staff levels are not sustainable indefinitely.

Q Were you involved in any way in disseminating any of that information to anyone?

A I don't recall what I said on the conference call. I didn't put these in envelopes and mail them out to anybody.

Q What I mean by this is, this is obviously produced on September 7th and sent out, okay?

A Yes.

Q Right?

A Yes, sir.

Q Okay. And the information contained within this press release was obviously obtained before September 7th. Could have been the day before?

A Yes, sir.

Q Okay. My question was, did -- were you part of creating the data in any way that is contained in this September 7th press release?

A I don't recall.

Q Is it fair to say, paraphrasing, that the existing staffing levels may not be sustainable indefinitely, is what part of this message is?

A That is correct.

Q Is it also fair to say, looking at the next paragraph, Mr. Powers is commenting and saying, "We're prepared to create efficiencies and make cuts where appropriate over the next three to six months"?

A That's what he said, yes, sir.

Q Okay. When you say, "make cuts", what does that mean to you?

A Reduce staff. Cut expenses. Overhead would include staff or could include office space or could include copiers or could include lack of efficiency.

Q In September -- as of September 7th, 2010, did you inform any of your staff of impending cuts?

A I did not. I, David J. Stern, did not advise my staff of any impending cuts.

Q Did HR?

A I have to ask HR. I'm not aware of it.

Q You're not aware of whether HR did or didn't?

A Correct. Everybody got this press release.

Q Everybody? What's that mean?

A Whoever wanted to go look at the press release would have gotten knowledge, but I didn't send the press release out.

Q Where was it sent?

A I'm sorry?

Q You said everyone got this press release. I'm not sure what that means. I didn't get it.

A Whoever wanted it could get it. I guess, they'd go on the SEC website where press releases are released too, and it's there.

Q Do you know if any of your staff who -- even knew the existence of an SEC site -- website?

A You have to ask folks that or the informational officer. I know at the time Chris Simmons kept everybody abreast of where to go and what was going on and commonly-asked-questions. So, that was a Chris Simmons, not a David Stern.

Q And is it your testimony that Chris Simmons would send out either e-mail or post HR disseminating notes that, "A new press release has been made available and here's a copy of it, if you want"?

A I do not know if that was the way the mechanics work. But I do know that Chris made himself available to all staff if they had questions through a particular e-mail box.

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1 Q This press release, who is it intended for,
2 this type of a press release?
3 A No idea. Investors. Disclosure to the world,
4 to the SEC. You've got to make the world aware of
5 everything. So, anyone in this world, it's intended
6 for.
7 Q Including investors?
8 A They're for everybody, including Hugh
9 Bernstein.
10 Q Would you agree with me that on
11 September 29th, Chase suspended referrals to the Law
12 Office of Javid Day Stern. Javid?
13 A I got you.
14 Q David J. Stern.
15 A On September 29th?
16 Q Yes, sir.
17 A I am not aware of any client suspending
18 referrals in September. As I sit here today, I have no
19 idea.
20 Q Are you aware that on October 8th, 2010,
21 25 percent of Professional Title and Abstract employees
22 were fired?
23 MR. TEW: Object to the form.
24 A I am aware of somewhere during that time
25 period, given the acquisition of Timeos for efficiency

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1 purposes, a lot of the previous Professional Title and
2 Abstract work was sent to the Timeos folks out in
3 California to gain efficiencies, better training, better
4 technologies, et cetera.
5 Q (By Mr. Jaffe) Would you agree with me that on
6 October 8th, 2010, Freddie Mac told Morgan Services to
7 stop sending work to Stern PA?
8 A Not aware of that. On October 8th? Not aware
9 of that.
10 Q Are you aware that on October 11th, 2010,
11 Fannie Mae and Citigroup suspended new referrals to
12 Stern PA?
13 A I'm not aware of that.
14 Q Are you aware that on October 14th, 2010, DJSP
15 Enterprises announced a 10 percent reduction in file
16 volume?
17 A Via what?
18 Q A press release.
19 A I'd have to see that, you know. At that point
20 in time, everything, you know, cuts coming every which
21 way.
22 Q So, you're not saying it didn't happen, you're
23 just not aware of it? You don't recollect?
24 A I mean, I don't recollect.
25 (Thereupon, a short discussion was

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1 had off record.)
2 (Deposition resumed.)
3 Q (By Mr. Jaffe) Let me rephrase. Are you aware
4 on October 14th, 2010, staffing levels had been reduced
5 by 10 percent?
6 A I certainly don't know the dates specific. I
7 can tell you that that's before, at least to my
8 knowledge, that Fannie and Freddie pulled the files.
9 And I can tell you that staff reductions were
10 contemplated due to a whole host of things, from
11 uncontrollable events, government intervention,
12 robo-signing on behalf of pretty much every major bank
13 out there.
14 MR. TEW: David, he just asked, "Were you
15 aware of that?"
16 A I was not aware of the date, but I was aware
17 of the imminent staff reduction.
18 Q (By Mr. Jaffe) Do you have a recollection when
19 the first time staff reduction issues were brought up in
20 a meeting?
21 A I don't. That would have been Rick Powers and
22 Cheryl Sammons and Chris Simmons. I do not.
23 Q You were not in any of those meetings?
24 A To discuss staff reductions or to decide who
25 stays?

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1 Q To discuss the issue of staff reductions.
2 A At what point in time?
3 Q Any.
4 A I've been at meeting where they discuss staff
5 reductions, absolutely.
6 Q 2010?
7 A Yes.
8 Q How early?
9 A First, second week of November 2010.
10 Q That's -- so, your best recollection is that
11 would be the first time you were animating where a
12 discussion was had regarding staff reductions?
13 A No. I would say I was in meetings for staff
14 reductions -- given the key words "staff reductions" --
15 from the day Phil Cobb came on to the day Rick Powers
16 succeeded him.
17 Q Phil Cobb came on when?
18 A I don't recall. Sometime, I think, just as
19 the transaction kicked off on January 2010.
20 Q Were you ever made aware by anyone after
21 January 15th, 2010 that based on industry events, you
22 might want to consider reducing staff?
23 A Was I made aware at any time after
24 January 15th, 2010 that I might want to consider
25 reducing staff? Anytime after January 10th? Yes.

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1 Q And before November 2010?

2 A Yes.

3 Q What's your first recollection of when that

4 would have been and by who?

5 A It would have been by Rick Powers in

6 September -- August, September.

7 Q Under what circumstances was that discussion?

8 A He presented me with updates on management

9 tools; better training, measuring by the metrics and

10 tremendous technology where efficiency's increased

11 tremendously. And we would continue with staff to

12 handle legacy problems, issues, "volumes" being the

13 keyword. But on a positive, given the technology and

14 the better training and holding people accountable, he

15 was confident that we could reduce staff at some point

16 in time.

17 Q Was it Rick Powers' idea to outsource

18 backoffice labor to the Philippines?

19 A No.

20 Q Do you recollect espousing that one of the

21 keys to success on an ongoing basis would be to

22 outsource labor for backoffice to the Philippines at

23 one-half the salary of full-time Plantation employees?

24 A I don't know if I said one-half, but at

25 substantial savings from a Plantation or US-based

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1 employee, absolutely.

2 Q And when is your recollection of the first

3 time you would have espoused that type of process?

4 A I have no idea.

5 Q 2009?

6 A No, I think it would have to have been after

7 the transaction, January 15th, 2010.

8 Q It was in the first half of 2010?

9 A I don't recall.

10 Q Did you, in fact, outsource labor to the

11 Philippines?

12 A We were doing that in 2008, 2007.

13 Q Did you increase outsourcing of staff,

14 backoffice staff, in the first quarter of 2010?

15 A Sure. As volumes increased, we had to

16 increase volume there.

17 Q Did you increase your staff in the Philippines

18 because -- or in a reaction to increased file volume or

19 to reduce expenses?

20 A I only know that additional bodies were

21 necessary. That would be Cheryl Sammons, that was her

22 role. That wasn't my role. So, I can't tell you. I

23 don't know. That's a day-to-day process that she was

24 involved in, and I can't even tell you who works in the

25 Philippines or who's who or what's what. I can only

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1 tell you from a dollar-and-cents, it's been efficient.

2 Q You also said at some point that Professional

3 Title and Abstract was the first entity to go paperless?

4 A I did, yes, sir.

5 Q Okay. Do you remember when that was?

6 A No, sir.

7 Q And did you also recollect saying in reaction

8 to going paperless, We won't need -- there'll be no need

9 for the 90-or-so file clerks running around.

10 A Did I say that in my testimony today?

11 Q No.

12 A Oh, because if I say, "no" --

13 Q No.

14 A I don't recall saying that. Yeah, I don't.

15 Q Are you aware in October 21st and October 22nd

16 of 2010, DJSP Enterprises terminated 190 employees?

17 MR. TEW: Object to the form.

18 A I know DJSP Enterprises terminated employees.

19 I don't know exactly what dates or how many.

20 Q (By Mr. Jaffe) Were you involved? You've

21 already told me your first recollection of being in a

22 meeting with regard to terminations was in November.

23 So, obviously, my question's dealing with an October

24 date. Is it fair to say you have no recollection being

25 in a meeting to discuss the terminations I've just

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1 mentioned?

2 A In October?

3 Q Yes, sir. Or earlier for that matter.

4 A You know, I may have been in a meeting, but

5 Cheryl would have been there at that point in time. So,

6 Cheryl would have headed up that meeting or worked

7 hand-in-hand with Chris Simmons and Rick Powers, quite

8 simply because I would not know who's who, who needs to

9 stay, who needs to go. Was I in the meeting? I don't

10 know. Do I know the people? Absolutely not.

11 Q Would you agree with me that even as late as

12 November 2010, the HR department was still operating off

13 of one e-mail assistant?

14 MR. TEW: Objection.

15 A I wouldn't know that.

16 (Thereupon, a short discussion was

17 had off record.)

18 (Deposition resumed.)

19 Q (By Mr. Jaffe) Are you aware that the

20 terminations I just referenced -- the 198 that were

21 conducted or carried out in October 21st, October 22nd,

22 2010 -- were just carried out by group meetings and

23 employees being given a letter?

24 MR. TEW: Object to the form.

25 A I remember knowing that cuts that took place

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on or about that time or as a result of efficiencies gained in the day-to-day operation. I remember expressing concern as to how do you go about terminating whatever number it was. I don't know what the number was, but it wasn't feasible to bring a person in and say, "Look, I'm sorry, blah, blah, blah". And I remember Rick Powers or Chris Simmons reaching out to an outside firm for some guidance on how to best terminate a number of people, a number of people where you can't bring them all in one room and say, "I'm sorry, but the firm's gained efficiencies. It's time to have some cuts, and unfortunately, you're the cuts". So, how it ultimately got done, I understand. I do remember there was letter of notification. That's really about all that I know.

Q (By Mr. Jaffe) Did you sign that letter?

MR. SCRUGGS: Objection to form.

MR. TEW: Same objection.

A I don't recall.

Q (By Mr. Jaffe) But your name's on the bottom of the list?

A Show me the letter. I can let you know. I don't recall.

Q I show what's been marked Plaintiff's Exhibit No. 4 for identification purposes.

(Thereupon, Exhibit 4 was entered into the record.)

Q (By Mr. Jaffe) Actually, take a look. Actually, after you're done looking at it, if you recognize it?

A I do recollect the letter and that is my signature.

Q Okay. And you signed this letter dated October 21st, yes?

A I did sign it, yes, sir.

Q And you signed it as CEO of DJSP Enterprises?

A Yes, sir.

Q And what was the reason that you gave the affected employees for their termination?

A What was the reason?

Q Yes, please read paragraph number one.

A "The referral of new businesses decreased by over 75 percent in the last six months. While we're doing everything possible to guide the company successfully through these difficult times, it's unclear what the business will look like in the near future. So, due to loss of business, we regret to inform you that we are laying off a substantial amount".

Q Now, is it your testimony that between September 8th, 2010, which is the conference call date

with investors, to October 21st, 2010, the 75 percent of your referral business have gone away already?

MR. TEW: Object to the form of the question.

A If that's what's in the letter, then that's what occurred. I don't know if 70 percent went away two days before and 5 percent went away June, July, August.

Q (By Mr. Jaffe) Right. Because you actually referenced six months earlier.

A Right.

Q So, business had apparently begun to take a downturn six months prior to October 21st, 2010?

A Correct. When Bank of America had technology changed, volume began to drop off. We, of course, were hopeful that given the promises from clients that volumes would pick up, Fannie Mae coming in the office and saying, "Be prepared for the shadow inventory", that that volume would come back. And we were confident that we could use the existing staff to work on the legacy files. Then --

Q And the BOA business dropped off? This began when?

A They had a technology change when Bank of America and Countrywide merged or Bank of America acquired Countrywide, they changed their system. And as a result of that system conversion, half of our

referrals from them.

Q When?

A I'm thinking -- I got to look at the volume. I got to look at the volume. I'm thinking second quarter.

Q Define that for us, not in your world.

A Oh, no, I'm not in that world neither. Let's see, January, February, March -- so, April, May, June.

Q Okay. Are you aware that on October 22nd, 2010, DJSP Enterprises sends out a press release announcing that as of October 22nd, the total number of layoffs were now approximately 300?

MR. TEW: Object to the form of the question.

Q (By Mr. Jaffe) Are you aware of that?

A I don't recall.

Q Any reason to question? Are you saying, "I don't agree" or are you saying "I have no knowledge."

A I have no knowledge. I don't know what the number was. I don't know the date. I simply know that great efficiencies were realized and volume hadn't bounced back.

Q On October 25th, 2010, Mark Harmon resigns off the board of directors, is that true? I mean, is that your recollection?

A I don't know the date, but Mark Harmon did

resign off the board of directors.

Q Do you know why?

A I don't.

Q How many people did you place on the board of directors?

A Four.

Q Who were they?

A Mark Harmon, Matthew Katon, myself and Kumar Gushani.

Q Was there a reason, other than yourself, why you named those other people to the board?

A Well, Matthew's a longtime trusted friend that -- about the only one -- I'm sorry, Jeff -- that I trust. Mark does what I do or did in Massachusetts, Rhode Island, New Hampshire, so he has tremendous inside expertise. He kind of gets it, he understands. Kumar was a natural fit at the time because we didn't have a COO, so we brought the CFO in to be a director.

Q How long have you known him?

A Kumar? Six months.

Q How'd you meet him?

A He took the job as the COO.

Q Did you interview him?

A I did.

Q Two days later, October 27th, 2010, the

accounting firm resigned. Are you aware of that?

A Not aware of the date, but I do know that McGladrey resigned.

Q Do you know why?

A I do not.

Q Four days later, November 1st, 2010, DJSP Enterprise and your law office default on the lease at 900 Southpine Island Road; is that correct?

A Yes, sir.

Q Did either of those entities default on the lease on November 1st, 2010?

A I don't know at what point in time Processing, who held the list, was in default.

Q So, it's possible that DAL Group may have held that lease; is that true?

MR. TEW: Anything is possible. You're talking about a document. I object to the form of the question.

Q (By Mr. Jaffe) Are you aware that DJSP Processing defaulted on the list on November 1st, 2010?

A I'm not sure if the list was with Processing or Enterprise. I know at some point in time, there was a default on the lease through one of the entities of the public company.

Q You're just not sure what date it was?

A I'm not sure what date it was.

Q Does November 1st sound accurate?

A It doesn't.

Q Does not?

A It does not.

Q At this point, have you had -- at this point, being November 1st time frame, do you have a recollection of having any other meetings regarding further staff reductions and the necessity for that?

A I don't recall the time frames. Obviously, as the unexpected catastrophic event occurred, there was a need to have a meeting, but I don't recall at what point in time that was.

Q What "unexpected catastrophic event" did you just reference?

A Fannie Mae, Freddie Mac coming in and terminating the relationships. And then the rest of -- substantial portion of the remainder of the industry following suit.

Q What's your recollection of the date that Fannie and Freddie pulled?

A I want to say November 4th, November 5th.

Q Okay. What's your recollection of the other entities that pulled following Fannie and Freddie?

A Within two weeks, everything was pretty much gone.

Q Do you have a recollection of -- I'll come back to that question. Just had a flashback regarding the conference call with investors, where periodically there were scripts that were used to have that type of conference call. My question there is, who drafted the scripts?

A Chris Simmons, director of investor relations, together with input from Kumar, Rick Powers. In many instances, myself, if they didn't know what was going on or if they needed a question answered.

Q So, at this time frame, when you're giving investor calls, you still know what's happening with the business?

A I don't understand your question.

Q You're aware of -- you're reading reports. You're seeing volume. You're seeing new file intakes. You're seeing how fast they're closing. And you're seeing the cash flow in and out of the company.

A Okay.

Q And so, you have -- in 2010, you have a handle on what's happening with the business?

A As the numbers are reported in the quarterly earning calls and the investors or the world, whoever elects to participate in that call is made aware of the day-to-day happenings.

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CERTIFICATE OF REPORTER

STATE OF FLORIDA
SOUTHERN DISTRICT

I, SAMANTHA HANSTEIN, do hereby certify that the foregoing testimony was taken before me; that the witness was duly sworn by me; and that the foregoing pages constitute a true record of the testimony given by said witness.

I further certify that I am not a relative or employee or attorney or counsel of any of the parties, or a relative or employee of such attorney or counsel, nor financially interested in the action.

Under penalties of perjury, I declare that I have read the foregoing certificate and that the facts stated herein are true.

Signed this 25th day of April, 2011.


SAMANTHA HANSTEIN

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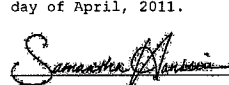
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CERTIFICATE OF OATH

STATE OF FLORIDA
SOUTHERN DISTRICT

I, the undersigned authority, certify that DAVID J. STERN personally appeared before me and was duly sworn.

Witness my hand and official seal this 25th day of April, 2011.


Samantha Hanstein, Court Reporter
Notary Public, State of Florida
Commission No.: EE 070089
Commission Expiration: 03/03/2015

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

COPY

RENAE MOWAT, NIKKI MACK,
ARKLYNN RAHMING, and QUENNA
HUMPHREY individually
and on behalf of all other similarly situated
individuals,

Plaintiffs,

v. CASE NO. 10-62302-CIV-UNGARO

DJSP ENTERPRISES, INC., a Florida Corporation, DJSP
ENTERPRISES, INC., a British Virgin Islands Company,
LAW OFFICES OF DAVID J. STERN, P.A.,
DAVID J. STERN, individually, DAL GROUP, LLC,
a Delaware LLC, DJS PROCESSING, LLC,
a Delaware LLC, PROFESSIONAL TITLE AND ABSTRACT
COMPANY OF FLORIDA, a Delaware LLC, and
DEFAULT SERVICING, LLC, a Delaware LLC,

Defendants.

VOLUME II
DEPOSITION OF
DAVID J. STERN
TAKEN ON BEHALF OF THE PLAINTIFFS
APRIL 25, 2011
10:00 A.M. - 5:13 P.M.

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INDEX OF EXAMINATION

WITNESS: David J. Stern

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DIRECT EXAMINATION
By Steve Jaffe, Esq.

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did before you gave us the job. Today, most of us have families, most of us have homes. You've given us good paychecks and you've given us insurance more than anyone would normally give us specially in law firms". And I remember Steven Bernstein got two seats down saying, David, I think I'm going to cry as I was wiping tears away. Anytime someone wanted to see me, I made myself accessible. As far as giving termination notice, however, it went for me. Doing it personally is impossible. And there was others --

Q I'm sure.

A -- that have come in and gave those sort of accolades.

Q I'm sure. You seem like a very nice guy. At the time of these mass layoffs, is it fair to say that DJSP Enterprises had accounts receivable in excess of \$50 million?

A How do you define "accounts receivable"?

Q Money that's owed to them to DJSP Enterprises that hasn't been paid yet.

A But not yet billed?

Q Billed and out on the street waiting for the money to come.

A I don't -- I don't know if it was \$50 million. I don't recall.

Q There was a certain amount of accounts receivable out at that time?

A Yes, of course.

Q And obviously, there was the unbilled yet to go out earned, but the bill yet to be sent, accounts receivable also?

A That is correct.

Q And those numbers combined were in the millions?

A Those numbers combined were in the millions, yes.

Q And the law firm also had accounts receivable?

MR. TEW: I'm going to object. We're not going to get into financials. I don't see how that's relevant.

MR. JAFFE: I wasn't going any further than --

MR. TEW: You're asking financial discoveries. It's not appropriate at this stage, the law firms finances.

Q (By Mr. Jaffe) When the unforeseen catastrophic event that you had talked about occurred, you gave a couple of examples when I asked you what you meant and you said robo-signings. What do you mean by that?

A Robo-signings in July, August, September

depositions of clients began to get released. And the gist of what kicked off robo-signing was a GMAC case in Maine, the State of Maine, where the GMAC employee that was responsible for executing affidavits was deposed by borrower's attorney. And the gist of the depo that created this robo-signing concept was borrower's counsel asked Jeff Stephens -- well, according to your affidavit, you say you have actual knowledge you reviewed it, and he came back and said, well, no, I didn't. The attorney was a little bit dumbfounded while you, under oath, said that you did review it. And then a whole new line of questioning ensued, how many of these do you do? How could you possibly do them? Hence, in my mind, the term "robo" was the notary there at the time and the answer was no, no, no, no. Then Bank of America had the issue and then PNC had the issue and a whole host. And as a result, they put a freeze on the referral process until the clients made certain that there was no robo-signing. Now, keep in mind that Florida is a verified complaints state, which would require that the client review the complaint and execute it; and if it needs to be notarized, notarize it in the presence of a notary. So, it caused every lender to stop the wheels.

Q And you are aware that robo-signing occurred

in your office?
A It depends which element of robo-signing you're speaking of.
Q But nonetheless, it occurred?
MR. TEW: Form of the question.
A It -- there's a -- robo-signing encompasses a variety of things, not every variety of the occurrence occurred in my office.
Q (By Mr. Jaffe) Which variety occurred in your office?
A My understanding is that notaries were not present in front of the attorney as the attorney's pen hit the paper.
Q Is that the only element of robo-signing you're aware of to have occurred in your office?
A The same robo-signing concept also, not just affidavits, but assignments.
Q And those were -- some were executed by Cheryl Sammons?
A I don't know if Cheryl was present in front of a notary or not. I only know that there are allegations that that occurred.
Q Are you aware that there are allegations that other paralegals were signing Cheryl Sammons' name?
A I am aware of that. But according to Cheryl,

she said that's absolutely false or without her knowledge. So, I guess, you'd have to ask those other paralegals that may have signed her name.

Q Are you aware of any paralegals that alleged to have signed her name -- Cheryl Sammons' name? I'm sorry.

A Of course not.

Q Are you aware also that there's been allegations that Cheryl Sammons was signing between 400 and 1,000 affidavits a day at certain times?

MR. TEW: Object to the form.

A I'm not aware of that number.

Q (By Mr. Jaffe) Are you aware that she would designate two hours a day to sign affidavits?

MR. TEW: Object to the form.

A I don't reach her in the office. I find your blogs to be false.

Q (By Mr. Jaffe) Are you aware that there's been sworn testimony that files would be piled up on given floors and given conference rooms and she would periodically stop in to make the signatures at that point?

MR. TEW: Object to the form of the question.

A I am not aware that it actually occurred, I was not involved in the day-to-day operations. I was

not present in those particular areas. So, whatever allegations are made, I look at them as allegations; and as I sit here today, they are unproven.

Q (By Mr. Jaffe) And you're telling us under oath that Cheryl never came to you to express frustration about these acts if in fact they were occurring?

MR. TEW: Object to the form of the question.

A Which acts?

Q (By Mr. Jaffe) Signing 400 to 1,000 affidavits a day, working unbelievable hours and so busy that she had other people sign her name.

MR. TEW: Object to the form of the question.

A I'm not -- I'm not aware of that.

Q (By Mr. Jaffe) Okay.

A Of course not. Cheryl would not come to me or never came to me and said, I've had these people signing the names or my name. Absolutely not.

Q Did she ever complain to you that there was so much at work for her to sign that there was no way she could actually read and verify what she was signing?

MR. TEW: Object to the form of the question.

A No. There was more than one signer. Cheryl wasn't just the only signer.

Q (By Mr. Jaffe) I agree. I'm just talking

1 about Cheryl.
2 A Okay.
3 Q No?
4 A No.
5 Q All right. Let's go back to the November 4,
6 2010 mass e-mail. Have you ever seen it in print?
7 A I have to see it. I don't -- I don't know.
8 Q So, as you sit here, you have no recollection
9 of seeing that?
10 A I don't have any recollection of seeing it.
11 I -- I -- if I see it, then I will recognize it or I
12 won't recognize it.
13 Q Sure. And --
14 A And again, that was done at that level below
15 mine.
16 Q That was my next question. You did not author
17 the content of that e-mail?
18 A I'd have to look at it and see if I recall
19 giving any of my input.
20 Q Okay.
21 A I don't recall and I don't know if it's --
22 Q It's okay. I think we're at 5.
23 A Yes, sir.
24 (Thereupon, Exhibit 5 was entered
25 into the record.)

1 Q (By Mr. Jaffe) Let me show you what's now
2 marked as Plaintiffs' Exhibit 5 for identification
3 purposes. Ask you take a look at that and see if you
4 recognize it.
5 A (Looking through papers/files.)
6 Q Ready?
7 A Ready.
8 MR. JAFFE: Mr. Scruggs.
9 Q (By Mr. Jaffe) You've had an opportunity to
10 look at Plaintiffs' Exhibit 5, which I represent to you
11 to be a November 4th, 2010 mass e-mail. Do you
12 recognize it?
13 A I do.
14 Q This e-mail came from an e-mail address of HR
15 department mailbox, correct, that's from?
16 A Yes, sir.
17 Q Okay. And would you agree with me that it was
18 sent to many, many people at one time?
19 A Yes, sir.
20 Q I had the pleasure of counting them. I'm
21 representing to you it's over 430 people. Did you work
22 with anyone to create a list of people that was subject
23 to this termination?
24 A Did I work with anyone? Again, I'm up here
25 trying to save the business and I've got Steven, I've

1 got Rick, I've got Chris, I've got Cheryl who are
2 familiar with these people, and of them, I would not be
3 familiar with. As this unfortunate unforeseeable
4 catastrophic event occurred, given the ramifications,
5 Cheryl was unable to help make selections.
6 Q Because?
7 A Because from a physical standpoint, she was
8 in -- she was in denial. She just didn't think it was
9 going to happen.
10 Q In fact, she's on the list.
11 A She is on the list, but she went from
12 Processing, she also was employed by the law firm. So,
13 she was terminated from Processing with the intent that
14 she be terminated from the law firm shortly thereafter
15 once we had the benefit of her knowledge on who should
16 stay.
17 Q So, Cheryl Sammons was employed both by the
18 law firm and by DJSP Enterprises?
19 A Yes, sir.
20 Q What was her role with the law firm?
21 A With the law firm, she assisted me in whatever
22 I needed, she assisted Miriam, she assisted Bev. So, at
23 the time, we contemplated the transaction and put
24 together the services agreement. We decided that we
25 would make her an employee of both the law firm and

1 Processing.
2 Q She received two checks?
3 A Yes, sir.
4 Q How did you distinguish her roles and
5 responsibilities?
6 A She did that, Miriam did that. I was not
7 involved in distinguishing her roles between the two.
8 Q Would you agree with me that prior to going
9 public, you're more involved in the day-to-day
10 operations of your law firm than you were the day after
11 you went public?
12 MR. SCRUGGS: Objection to form.
13 MR. TEW: Same objection.
14 A No. I went --
15 Q (By Mr. Jaffe) Because your day-to-day
16 involvement ceased a number of years earlier?
17 A Correct.
18 Q It seems like you put a lot of trust in
19 Ms. Sammons and Ms. Mandieta.
20 A Blind faith, blind trust.
21 Q Tell me what time this e-mail was sent.
22 A Well, it says sent Thursday, November 4th at
23 10:30 a.m.
24 Q Tell me what time the employees', all 435 of
25 them, security badges were deactivated.

1 A If it's not in the letter, I don't know.
2 Q You will. Keep looking. Page -- the last
3 page.
4 A Security badges will be deactivated at
5 11:30 a.m.
6 Q So, is it fair to say that you have now
7 terminated 435 people --
8 A Who is "you"?
9 Q All right. Let's back up. Who signed the
10 e-mail?
11 A I did.
12 Q Okay. That is you.
13 A Well, that's me as whatever capacity I was in.
14 Q Does it say that?
15 A No, it doesn't.
16 Q Okay. So, my question is, you fired 435
17 people via e-mail at 10:30 and told them that your
18 badges were deactivated in an hour?
19 A HR did. HR sent that. From -- see the top
20 line, from?
21 Q From HR --
22 A From HR.
23 Q -- from you, the CEO of DJSP Enterprises and
24 president of the law firm.
25 A I'm sorry. Say that again.

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1 Q You were the CEO of DJSP Enterprises at the
2 time?
3 A Correct.
4 Q President and sole owner of the law firm at
5 the time?
6 A Correct. But this doesn't involve the law
7 firm.
8 Q Okay. But the point is, you signed an
9 e-mail --
10 A Okay.
11 Q -- that HR sent.
12 A Okay.
13 Q So, my question --
14 A So, HR and DJSP Enterprises terminated
15 whatever number of people due to a catastrophic
16 unforeseeable event, that's correct.
17 Q And you gave them an hour to get out of the
18 building?
19 A According to what's here, yes. Did that
20 happen in reality? I don't know.
21 MR. BERNSTEIN: I would like to add a
22 clarifying note that --
23 MR. JAFFE: Yeah, you're not being deposed
24 right now.
25 MR. BERNSTEIN: Okay. Fair point.

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1 Q (By Mr. Jaffe) In the e-mail, it says in the
2 first sentence that -- actually, why don't you read the
3 second sentence.
4 A "It is with heavy heart that I must announce
5 that due to the lawsuit" --
6 Q I'm sorry. Second sentence, not second
7 paragraph.
8 A In --
9 Q Paragraph one, "The referral".
10 A "The referral of new business has decreased by
11 over 90 percent in the last six months".
12 Q Okay. So, my question is this, this is an
13 e-mail sent November 4th. In October 22nd letter,
14 75 percent of referral business has been reduced over
15 the last six months. And now by November 4th, it's up
16 to 90 percent; is that accurate?
17 A I have to go back and look at the volume
18 reports to confirm that.
19 Q Based upon your review of the e-mail, the
20 contents of the e-mail, did you have any input in
21 creating the content?
22 A I asked to see the letter once it was drafted,
23 and I recall making a couple of changes in particular.
24 I don't remember what I changed, but I did see it and I
25 did give a couple of comments. Once I gave those

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1 comments, it circulated back to Rick Powers, I assume,
2 and Steve and Chris and I essentially was done.
3 Q You said to me that this e-mail did not deal
4 with any of the law office employees. Did I understand
5 that correctly?
6 A I'd have to look through. That was my
7 understanding, but let me look and see. As I sit here
8 today, I don't know if this included the law firm, DJSP,
9 DJS Processing or DJSP, what would have been DJSP, or
10 other DJSP Enterprises such as Default Servicing and
11 Professional Title and Timeos.
12 Q Right.
13 A So --
14 Q So, the different way, the e-mail doesn't
15 distinguish employee by what department they worked in?
16 A That is correct.
17 Q Or what corporation they worked in or what LLC
18 they worked in or whether it was a law firm employee?
19 A That's correct.
20 Q Whose idea was it to have an HR person on
21 every floor collecting all employees' paperwork, company
22 computers -- excuse me -- cell phones, firm files, law
23 firm records?
24 A It was not mine.
25 Q Whose idea was it to have them all out of the

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1 building within an hour?

2 A It was not mine. I don't know.

3 Q The e-mail also contains the name of
4 Miriam Mendieta.

5 A Okay.

6 Q So, she was terminated in mass with
7 Ms. Sammons on this November 4th, 2010 e-mail?

8 A I don't recall if that -- if the fact that if
9 she is in there, if that actually meant she was
10 terminated, she may have been also Processing as well as
11 the law firm.

12 Q So, as you sit here today, Miriam Mendieta may
13 have been receiving two checks as well, one from the law
14 firm and one from DJS Processing?

15 A That is correct.

16 Q What role did she have in Processing?

17 A She would work with certain staff, be there to
18 answer any questions. We felt that her salary -- and
19 I'm not sure if it panned out that way, but the original
20 process was that part of her process should be bourn by
21 Processing if she is going to be working with
22 Processing, giving them direct oversight or whatever the
23 case may be.

24 Q So, she supervised Processing?

25 A Well --

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1 Q Certain aspects of Processing?

2 A She did, yes. Of course.

3 Q And Sammons served -- supervised certain
4 aspects of Processing?

5 A Right.

6 Q Sammons also supervised certain aspects of the
7 law firm?

8 A As to non-legal work.

9 Q And obviously, Ms. Mendieta supervised aspects
10 of the law firm?

11 A Yes.

12 Q All aspects of the law firm actually.

13 A Absolutely.

14 Q Who else was dual employed by DJS Processing
15 and the law firm at this time?

16 A Well, certainly, Cheryl was. I'm thinking
17 Miriam was, but I'm not positive. I was. And I'm not
18 sure if Sam because Sam did law firm, and of course, he
19 worked with Professional Title. Beyond that, I think
20 that would be -- that would be a -- Tom from Dykema.

21 Q Was Sam employed -- based on what you just
22 said, I think I heard you say Sam was employed both by
23 the law firm and by Professional Title and Abstract at
24 the same time.

25 A I'm not sure.

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1 Q But it's possible?

2 A It's possible.

3 Q And that's what you think?

4 A I don't know -- I don't recall. At the end of
5 the day, given the magnitude of the transaction, if Sam
6 at -- ultimately came over or not, that's -- you know,
7 certainly, he sent over an interrogatory and Jeff can
8 get it answered.

9 Q What is your understanding on the basis of our
10 lawsuit?

11 A My understanding on the basis of this lawsuit
12 is that you feel that Processing, DJSP Enterprises
13 wrongfully terminated its employees in violation of WARN
14 and that I'm the mastermind that created it, and I said
15 at this public company to defraud the world and you want
16 to get into my deep pockets as well as the law firm.
17 That's my understanding of this lawsuit.

18 Q Okay.

19 A Is it one of the --

20 MR. TEW: You answered the question.

21 A Well -- but it's too good, Jeff.

22 MR. TEW: No.

23 A Okay. I did get this long. I can make it
24 another two hours.

25 Q (By Mr. Jaffe) Now, you are aware that on

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1 November 3rd, 2010, Chris Simmons authored a letter to
2 Gene Rhodes at the REACT Program in Tallahassee?

3 MR. TEW: Object to the form.

4 A I am not aware of that.

5 Q (By Mr. Jaffe) Okay. This would be quicker
6 then. Are you telling me that you're not aware of
7 whether or not anybody on behalf of DJSP Enterprises
8 sent a WARN notice to Tallahassee in November?

9 A I don't know what date it was sent. I don't
10 recall what date it was sent.

11 MR. JAFFE: All right. Please.

12 Q (By Mr. Jaffe) Let's -- while she looks for
13 the copies -- you are aware a letter was sent, you're
14 just not aware what date it was; is that correct?

15 A That's correct.

16 Q Okay. Were you privy to the development of
17 the contents of the letter prior to it being sent?

18 A I'd have to look at it to refresh my memory.

19 Q Okay. Now, Let me show you what we've now
20 marked Plaintiffs' Exhibit 6 for identification
21 purposes.

(Thereupon, Exhibit 6 was entered
into the record.)

24 Q (By Mr. Jaffe) I would represent to you
25 it's -- one, two -- three pages. Tell me if you

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1 recognize it.
2 A Yes, sir, I do.
3 Q Were you involved in the development of the
4 content of these three pages?
5 A No, sir, I was not.
6 Q Did you review this letter -- one-page letter
7 and two-page memo, I'm going to call it, before it was
8 sent out to Tallahassee?
9 A I did not.
10 Q When is the first time you saw this
11 Exhibit 3 -- or Exhibit 6? Excuse me.
12 A A few days after it had gone out, just in my
13 stack of my monstrosity of reading.
14 Q Do you have any knowledge as to how the laying
15 off of 38 law office employees was decided, which 38?
16 A I'm sorry. Can you repeat the question?
17 Q Bad question.
18 A Yeah.
19 Q Will you agree with me that contained within
20 this letter, there was law office layoffs?
21 A Yes, sir.
22 Q And specifically, 38 people were laid off, at
23 least that's what the reporting is about.
24 A Okay.
25 Q Do you know how that 38 people were selected?

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1 A Miriam and Beverly would have selected those
2 individuals independent of me.
3 Q You saved the next question, but I get to ask
4 anyway. Without consulting with you, correct?
5 A Correct.
6 Q With regard to the 356 employees that were
7 terminated by DJS Processing, who would have selected
8 those people?
9 A Well, Cheryl and Rick were supposed to select
10 them, and then we had some issues with Cheryl making
11 those selections. So, they brought it, really, to me
12 and asked how I could help. And I said, it's not what I
13 do. I don't know any of these people. I know very few
14 of these people, and the people that I do know may not
15 be the people that need to be kept. So, I suggested
16 that perhaps they go to Cheryl's managers and have
17 Cheryl's managers help make the decisions because at the
18 end of the day, Cheryl was going to be gone and it would
19 be the managers that would have to -- Cheryl's managers
20 that would have to choose the right people. So, that's
21 how the DJS Processing selections were made.
22 Q So, back to the law office, though, Miriam
23 fired herself?
24 A No. I terminated Miriam, but Miriam or --
25 and/or Beverly -- because Beverly stayed through

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1 whatever, March, I have something like that, and they --
2 I didn't know any of the attorneys or very few of the
3 attorneys, so I wouldn't have the -- where at all to
4 know who should stay or who shouldn't stay. And that's
5 sort of what Miriam's last day was, but the need to cut
6 was not pushed back with Miriam or -- and/or Bev as it
7 was with Cheryl.
8 Q At its height, how many lawyers did you have
9 employed at the law office?
10 A I believe 150, give or take.
11 Q How many of them did you know?
12 A Maybe 20. I wasn't there day to day, so I
13 didn't know. I knew the ones that were there in 2005,
14 2006, but anyone that came after that, I just -- it
15 wasn't what I did.
16 Q Is it fair to say that after 2005, 2006, the
17 number of staff -- I think your word was "dramatically
18 increased"?
19 A 2007 when we moved to Plantation, to 900 South
20 Pine Island.
21 Q When the mass e-mail went out terminating
22 Cheryl as well, was -- I thought that I understood you
23 used to say that she stayed on on behalf of the law
24 firm.
25 A The decision was that Cheryl and Miriam needed

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1 to go and they needed to go immediately. The -- the
2 reality was that with -- at the end of the day, all that
3 would fall back on me. And because I was not involved
4 in the day-to-day, I couldn't possibly under any
5 circumstances do it. As I recall, the intent was to get
6 them off Processing of the public company ASAP, make
7 them aware of that. They would then be -- continue to
8 receive law firm payroll. And after a week, they need
9 to be totally out. And that's kind of how it went down
10 and I -- yeah, couldn't get them out fast enough. But
11 unfortunately, they have the knowledge that -- a lot of
12 them we didn't get, as Steven said, but you're able to
13 do it without them. David and Cheryl had some managers
14 under her and Bev was a godsend.
15 Q Do you know if it was income-based, the cuts,
16 or was it you start with these most expensive people and
17 work down?
18 A No, we definitely did not.
19 Q The first in, first out?
20 A No. It just who what we needed that could do
21 the best job given the relatively small staff that would
22 be left for an uncertain period of time.
23 Q You would agree with me that the Exhibit 6
24 does not identify whether it was sent on behalf of DJSP
25 Enterprises, Florida or DJSP Enterprises, BVI; is that

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correct?

A Well, the employees that were being laid off worked for DJS Processing, they worked for the Law Offices of David J. Stern and they worked for Timeos because Professional Title had been pushed over to Timeos.

Q Sure. But my question wasn't that. My question was, the letter does not identify that it's being sent by either DJSP Enterprises, Florida or DJSP Enterprises, BVI, correct?

A It simply shows that it's being sent by DJSP Enterprises, notifying the administrator that three entities --

Q I understand. But my question is very elementary.

A I'm sorry. I'm missing that.

Q Let's go back up. See the title, "DJSP Enterprises"?

A I do.

Q Okay. I understand there to be a DJSP Enterprises, BVI.

A Okay.

Q And I understand there to be a DJSP Enterprises, Florida.

A I'm not aware of the DJSP Enterprises of

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Florida. I only know BVI.

Q You already testified to that. So, my question was, would you agree with me that it does not identify DJSP Enterprises, Florida or DJSP Enterprises, BVI?

MR. SCRUGGS: Objection. Form. Speaks for itself.

A I would say that -- first off, who in the heck is DJSP Enterprises, Florida? And if it does exist, what's their address?

Q (By Mr. Jaffe) Ask your counsel.

A Because clearly, DJSP Enterprises does -- does exist at 900 South Pine Island.

Q Okay. I'll take that as a yes. You would agree with me that Chris Simmons, the director of HR, signed this letter?

A I believe that's his signature.

Q Okay. Are you aware that Chris Simmons was a director -- at this time, a director of HR of DJSP Enterprises, BVI?

A Yes.

Q And at this time in November, that's the -- an entity that you owned 33 percent of?

A I'm not sure, as I previously testified, what percentage of it that I owned.

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Q Was the November 4th, 2010 the last mass layoff?

A I don't recall. How do you define "mass"?

Q More than 50.

A I don't know recall. I don't know. Maybe Chris Simmons, Stephen or Steve, two people down to my right.

Q And you removed of stepped down shortly after that e-mail, right?

A Stepped down from?

Q Chairman of DJSP Enterprises.

A Somewhere thereabout, yes, sir.

Q November 19th, I think.

A I don't recall. It's not like an anniversary. It's not a date you want to remember.

Q I thought just the opposite. This is your baby that you created, I would expect you to remember the date that it ended.

A No. Sorry.

Q It's okay. Do you still go to the office?

A I do.

Q How often?

A Maybe twice a week for two or three hours.

Q Is there any business left?

A There is.

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Q What are your plans with the office?

A I'm shutting it down.

Q How soon?

A Not soon enough.

Q Why do you say it like that?

A It's done, it's over. I have no desire to do this anymore. It's a backstabbing business. A guy finds a way to make success and people get thrills of seeing them come crashing down, not the American dream, not the way I am. June 30th is a -- is a -- is it -- existing files we have, we're substituting out or getting clients to get new counsel to substitute out. So, June 30th, we're done. We had advised the clients as of March 31st that we'd no longer be working with them, and then that's it.

Q Are you still employed by DJSP Enterprises?

A No.

Q When did that stop?

A I want to say while I was employed by them, I didn't take a salary since.

MR. TEW: It's going beyond the question.

A Am I still employed by DJSP? No.

Q (By Mr. Jaffe) When did that stop?

A I don't recall.

Q About the same time you stepped down as --

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1 A I don't recall.
2 Q Are there any employees at DJSP Enterprises
3 today?
4 A Are there any employees at D- -- yes, there
5 are.
6 Q Have you had contact with any of them?
7 A I see them every day that I'm in the office.
8 MR. JAFFE: I believe that we're done, but I
9 do want to take a break and make sure that we're
10 done before I officially say that. Thanks for your
11 time, but give me a couple of seconds.
12 A Okay.
13 (Thereupon, a short break was
14 taken.)
15 (Deposition resumed.)
16 MR. JAFFE: We're done. No further questions.
17 Thank you for your time. Sorry for taking your
18 day.
19 MS. DOUCETTE: No problem. It's okay.
20 MR. JAFFE: Good luck to you in the future.
21 A Thank you.
22 THE COURT REPORTER: Are you all going to
23 order?
24 MR. TEW: We'll read.
25 THE COURT REPORTER: You'll read?

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1 MR. TEW: But I do want a copy. Send me
2 my copy. I'll give it to the witness. Then
3 we'll read it, and then we'll sign.
4 THE COURT REPORTER: Okay.
5 MR. JAFFE: I want mine, but e-mail.
6 THE COURT REPORTER: By e-trans?
7 MR. JAFFE: Yeah, that's all I want. I don't
8 want paper.
9 THE COURT REPORTER: You don't want paper.
10 And standard delivery, would that be all right?
11 MR. JAFFE: Yeah.
12 THE COURT REPORTER: Seven days?
13 MR. JAFFE: Yes.
14 MR. SCRUGGS: Can you send mine that way,
15 e-trans as well? The text only.
16 THE COURT REPORTER: Sure.
17 (Deposition concluded at 5:13 p.m.)
18 (Reading and signing of the
19 deposition by the witness has been
20 reserved.)
21
22
23
24
25

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1 DATE: April 29, 2011
2 TO: David J. Stern
3 C/O
4 Tew Cardenas, LLP
5 Jeffrey Tew, Esq.
6 Four Seasons Tower
7 15th Floor, 1441 Brickell Ave.,
8 Miami, Florida 33131
9
10 IN RE: Renae Mowat, Nikki Mack, Arklynn Rahming, and
11 Quenna Humphrey individually and on behalf of
12 all other similarly situated individuals v. DJSP
13 Enterprises, Inc., a Florida Corporation, DJSP
14 Enterprises, Inc., a British Virgin Islands
15 Company, Law Offices of David J. Stern, P.A.,
16 David J. Stern, individually, DAL Group, LLC, a
17 Delaware LLC, DJS Processing, LLC, a Delaware
18 LLC, Professional Title and Abstract Company of
19 Florida, a Delaware LLC, and Default Servicing,
20 LLC, a Delaware LLC
21 10-62302-CIV-UNGARO
22
23 Dear Mr. Stern,
24
25 Please take notice that on April 25, 2011, you
gave your deposition in the above-referred matter. At
that time, you did not waive signature. It is now
necessary that you sign your deposition.
You may do so by contacting your own attorney
or the attorney who took your deposition and make an
appointment to do so at their office. You may also
contact our office at the below number, Monday - Friday,
9:00 AM - 5:00 PM, for further information and
assistance.
If you do not read and sign the deposition
within thirty (30) days, the original, which has already
been forwarded to the ordering attorney, may be filed
with the Clerk of the Court. If you wish to waive your
signature, sign your name in the blank at the bottom of
this letter and return it to us.
Very truly yours,
SAMANTHA HANSTEIN
Reif King Welch Legal Services
954-712-2600
I do hereby waive my signature.

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1 -----
2 David J. Stern
3
4 Cc: via transcript: Steve Jaffe, Esq.
5 Jeffrey Tew, Esq.
6 Frank Scruggs, Esq.
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[illegible]

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CERTIFICATE OF REPORTER

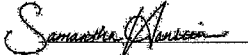
STATE OF FLORIDA
SOUTHERN DISTRICT

I, SAMANTHA HANSTEIN, do hereby certify that the foregoing testimony was taken before me; that the witness was duly sworn by me; and that the foregoing pages constitute a true record of the testimony given by said witness.

I further certify that I am not a relative or employee or attorney or counsel of any of the parties, or a relative or employee of such attorney or counsel, nor financially interested in the action.

Under penalties of perjury, I declare that I have read the foregoing certificate and that the facts stated herein are true.

Signed this 25th day of April, 2011.


SAMANTHA HANSTEIN


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CERTIFICATE OF OATH

STATE OF FLORIDA
SOUTHERN DISTRICT

I, the undersigned authority, certify that
DAVID J. STERN personally appeared before me and was
duly sworn.

Witness my hand and official seal this 25th
day of April, 2011.


Samantha Hanstein, Court Reporter
Notary Public, State of Florida
Commission No.: EE 070089
Commission Expiration: 03/03/2015



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